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SUMMER 1952

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Andrew Maxwell

PERSIAN OIL: AMERICA DEFEATS BRITAIN*

THE struggle between Persia and Britain for the control of the Anglo-Iranian Oil Co. (hereinafter referred to as A.I.O.C.) is, in substance, over. Britain has lost the company's property in Persia which, apart from crude oil production, includes the largest refinery in the world at Abadan; Persia has gained control of it, but, even if production were to resume, has lost out on the world market (more will be said about this later). Real conclusion of the struggle: America now has, according to representatives of big American firms, 'the whole world situation under control'.¹

Despite the mountains of ink devoted to the subject for nearly a year, there is little or no understanding of the real issues involved in this

¹ Virtually all the major oil producing areas in the world are now either owned outright by American companies or, as in some cases, these have a substantial share in the ownership or have made, or are in process of making, 'satisfactory arrangements' for the (to them) profitable production of oil. Owned outright are (apart from production in the U.S. itself), most of the Venezuelan oilfields which daily produce 'more than the entire maximum production of Persia' (UP, Old Point Comfort, Virginia, 18th November, 1951); Saudi Arabia (Aramco) where production increased roughly 20 per cent. between August and November, 1951; and most of Colombia where the new 'nationalization'-agreement alters only the form but not the substance of ownership still retained by New Jersey Standard through its subsidiary International Petroleum Co. Owned in part are Kuwait (with Britain) where production doubled between March and November, 1951; Iraq (with Britain and France). In Canada, the vast new Alberta fields are coming into production under the aegis of New Jersey Standard through its affiliate Imperial Oil Co. New developments are taking place in Syria which 'would welcome the exploration of Syrian oil resources by private American Companies' (*Times*, 19th May, 1951); in Egypt where Texas oil millionaire Glenn McCarthy plans to buy a controlling 51 per cent. interest in the National Petroleum Co. of Egypt (AP, Rome, 20th November, 1951). The American oil companies have made a 'fair deal' (to use the terminology of Supreme Court Justice William Douglas) with Indonesia, the largest oil producing area in the Far East. (AP, New York, 27th November, 1951.) Israel, which, according to latest surveys, may become a major oil-producing power, has 'cancelled blanket oil prospecting concessions to Britain while it held mandate power . . . and is preparing to open the territory to American oil men for exploration and development on fairly liberal competitive terms comparable to those prevailing in the United States' (*New York Herald Tribune*, 30th July, 1951). Refineries are being built all over the world: in France with the help of E.C.A. (Socony-Vacuum), in Colombia (complete with cat-cracker), in India (Standard-Vacuum, Caltex), in South Africa (cat-cracker) (Standard-Vacuum), etc.

The other side of the picture: British companies have been expropriated in Mexico (Mexican Eagle), China (Shell, Asiatic Petroleum Co.), Rumania, and now Persia (A.I.O.C.). Additionally, the Haifa refinery, apart from Abadan, 'the largest single increment of shutdown refinery capacity in the world' has been almost wholly idle for years due to the Arab-Israeli conflict which caused Iraq to close the pipe line delivering crude oil to Haifa, and Egypt to blockade the passage of tankers bound for Haifa via the Suez Canal. Some production is now going on at Haifa using Venezuelan oil.

* Italics throughout are the author's.

prolonged and from a chronological point of view not yet concluded struggle.

As far as Britain was concerned, the matter was throughout simple. 'We operate for profit and for nothing else,' stated Mr. Jackson of the A.I.O.C. Supreme Court Justice Douglas (of the United States) opined: 'in Persia . . . Britain is a little greedy'.² Despite threats of military operations, never taken seriously and with good reason since Britain was too weak to implement them, suggestions for the partitioning of Persia between Britain and Russia put forward by Duncan Sandys, M.P. ('evidently made . . . with the understanding of his father-in-law, Winston Churchill, leader of the Conservative party', notes the *New York Herald Tribune* of 22nd June, 1951), fulminations against Dr. Moussadegh, etc., the British Government had no 'policy' and was compelled to wait, to delay negotiations, to attempt to frustrate the intentions of the Persian Government by causing the International Court to issue 'injunctions' — all in the hope that the economic disintegration of Persia, to be hastened by Britain through the withholding of royalties (some £40,000,000) *due under the existing agreement*, would compel Dr. Moussadegh to accept terms favourable to the British Government and the A.I.O.C. Sir William Fraser (A.I.O.C. chairman) summed up the matter with the understanding and generosity typical of white pirates, 'when they need money, they'll come crawling to us on their bellies'. (*New York Herald Tribune*, 17th July, 1951.)

Moussadegh was not however to be forced into crawling. He 'exasperated' the British (and American) negotiators by insisting on the letter of the Nationalization Act of March, 1951, and 'mystified' the press-rabble by what they were pleased to call his 'irrational behaviour' in which nevertheless the highly astute *Times* (one has to be astute these days to see, even if only as in a glass darkly — and we would not accuse the *Times* of seeing more than this — what is in front of one's nose) discovered running 'a crazy thread of consistency'. Crazy indeed: this impossible Persian wanted, believe it or not, Persia to be master in its own house! Moussadegh repeatedly explained this very simple matter: 'Nationalization of oil is Persia's version of the Boston Tea Party'; 'Every nation must start at some point to manage its own affairs. . . . It is better to be independent and produce only one ton of oil a year than to produce

² Read here: ' . . . the British Government (Labour and Conservative alike) is a little greedy.' Why? Because the British Government own the controlling interest in A.I.O.C., which just followed 'Government Policy'.

³ The spectacle of the Imperial British Lion having, *faute de mieux*, to 'crawl on its belly' to the International Court, later to the Security Council, was one of those ironic savouries history reserves for the enjoyment of those whom the same Lion in its heyday was wont to bring to heel with a whiff of grapeshot. No quibbles *then* about force and expropriation. *Eheu! quantum mutatus ab illo!* Now this mangy beast, shaking with palsied indignation, froths and splutters about 'the rule of law', 'the sacredness of contractual obligations', the 'ethics' (belly-crawling 'morals'!) of the situation . . . etc. Characteristically: when the boot is on the other leg, and the erstwhile expropriator is in process of being expropriated, he suddenly remembers himself of the 'proper forms': 'decency', 'fairplay', 'cricket' and the rest of the rubbish. Of course, all this only refers to his own interests. For the rest, off with the gloves and give the buggers a couple of good kicks in the arse where possible.

32,000,000 tons a year and be a slave of Britain'; 'It goes without saying that a great similarity exists between the efforts and sacrifices of the Persian people of to-day with the efforts of your ancestors (i.e., Americans) 200 years ago to release their homeland from the fetters of economic and political imperialism . . . the natural resources of a most needy and naked people have been robbed more and more every year on a progressive scale through all sorts of intrigues and setting up of puppet governments. *The only difference that we have with the former Anglo-Iranian Oil Company crystallizes itself around this one point*'. At the United Nations Security Council (where in the modern world is wielded the razor edge of justice that protects the sleep of the rich from the sleeplessness of the poor) he repeats once more (New York meeting, 15th October): '. . . (I call) . . . for respect of Persia's independence, for its right of self-determination, and for the help to maintain its relations with the rest of the world. . . . Given the conception of our duty and the duty of others toward us, *it must be plain why we will not be coerced, whether by foreign governments or by international authorities*. We will not take action and we will not engage in negotiations affecting our internal affairs under pressure. *To do so would only constitute an admission that we are not a sovereign and equal nation, but would eventually be fatal to our independence*'. At the next day's meeting of the Security Council, Moussadegh once more reiterated: 'We see no evidence in the new (British) resolution of a sincere desire for negotiations. On the contrary we see much evidence *that the United Kingdom is not prepared to recognize and respect our rights and to deal with us on a basis of equality and rule of law*'.

What the *Times* finds 'crazy' is we see a very ordinary *democratic* demand — the assertion of its untrammelled rights of self-determination in political and economic matters — which constitutes the essence of the struggle waged by Persia at the present moment and is the pre-condition for any progressive developments in that country. About this no discussion is even possible.

Still, there has been 'discussion'. Reams of paper have been devoted to denigrating, to vilifying, in general, to making dishonourable the Persian struggle. This is so essential an aspect of modern imperialist gangster behaviour (abetted by scores of scribbling ideologists who with every scribble merely prove afresh their unbounded ignorance and dishonesty) that it demands some treatment.

Much light has been thrown in these attempts, on the internal situation in Persia: its feudal structure which is an obstacle to the much-needed agrarian reforms, the enormously swollen bureaucracy which yearly swallows up 85 per cent. of the budget in salaries and perquisites, the corruption and venality of the wealthy ruling strata in contrast to the appalling poverty of the mass of the people. Much has also been made of the fact that Moussadegh himself is a member of one of the richest families in Persia. Attention has been drawn to the Tudeh (Communist) Party.⁴

⁴ Attempts have been made from time to time to play up the danger of Russia. (The soppy Alsop brothers in particular have harped upon this theme.) This has not met with much success. Neither the British nor American governments worried overmuch about this 'danger' for the simple reason that the 'danger' does not

All this has only one end in view: to make people believe that *independently of any change in the position of the A.I.O.C.* (beyond an increase in royalties), there could, if the Persian ruling class only wished it, take place an alteration of conditions in Persia which would remove the *causes* of mass poverty. However, as we shall show, this is only a piece of fetishistic nonsense typical of 'official' thinking.

In contrast, the policy of the A.I.O.C. has been painted in the most glowing colours: the benefits it has brought to Persia in the shape of schools, hospitals, housing, sanitation, working conditions, wages, etc., have been played up in terms tending to make one believe (if one knows no better) that the company existed solely for philanthropic reasons — with profit as a 'by-product' of its 'welfare-work' — and had as its essential aim the welfare of its Persian employees and their dependants and, within a broader framework, that of Persia itself. Nevertheless, when one comes down to the substance of this 'concern' for Persian employees, it transpires that, in the words of Mr. Herbert Morrison (one-time Labour Foreign Secretary), the 'conditions . . . are not only far in advance of ordinary [!] Persian standards [!] but . . . compare favourably with those existing in any part of the Middle East'. (For instance, with those of the Fellaheens in Egypt who, as is well known, also 'enjoy' a 'standard of living' . . . well below the breadline). Of course nobody denies that the A.I.O.C. did build some houses, schools, hospitals and so forth where none existed before and that this constitutes a marked improvement on previous conditions. (In the same way to a man who is starving, a crust of bread, though not 'in itself' already a 'high standard of living', yet represents a 'marked improvement'.) Nevertheless, this has nothing to do with philanthropy. Simply: to operate (for profit, and for nothing else, once more to quote Mr. Jackson), the company perforce *had* to assure itself of an adequate supply of labour, sufficiently 'educated' to perform its work (hence schools), 'reasonably' healthy so that work should not be unduly interrupted by disease, gross malnutrition and other effects of slum conditions (therefore housing, sanitation, hospitals), and 'sufficiently' well paid to avoid labour troubles (*ergo*, wages somewhat above the prevailing starvation standards). Therefore it comes about that, despite this 'fabulous' expenditure *pro populo*, the Company, by the grace of God and the exploitation of its Persian employees who constituted by far the greatest proportion of its labour force in Persia, managed to make annual profits running, during the last few years at least, into tens of millions of pounds. And so Halleluja and amen!

When we have seen the position of the A.I.O.C. in Persia, we will appreciate the cynical effrontery of the self-styled 'Socialist' quoted above who concludes by saying unctuously: 'The benefits which it (the A.I.O.C.)

exist: it is practically impossible to transport the oil from Persia overland to Russia, while the sea transport also presents considerable difficulties, not least of which is the lack of adequate tanker capacity. Even, further, if Russia did succeed in getting hold of the Persian crude oil production facilities, she would not be able to refine it, as she is notoriously short of refinery capacity *even for the crude oil domestically produced*, in itself negligible in comparison to production in the West (daily Russian production of crude is only 14 per cent. of American daily production).

has been the means of conferring on Persia cannot therefore be measured in terms of money alone.'

Earlier in his speech Morrison had stated that the A.I.O.C. was the main 'stabilizing' factor in the Persian economy. Indeed, indeed! This is correct: but how one evaluates the 'benefits' of this stabilization depends upon the *content*: i.e., at what *level* was the economy stabilized and *in whose interest*. One can always trust a bureaucrat to pay attention only to the *form*, which, the moment one sees it in its substance shows itself to be: 'Sure, we gave them a few crumbs, just to keep things nice and quiet. We didn't want any trouble. Trouble is bad for business (also of course 'socialist' business which differs from ordinary business only in that it has a different label, viz., 'socialist'). Like this there was no trouble. We had the situation well in hand, and it paid us good dividends.'

Despite all this rubbish, in reality the A.I.O.C. was a great obstacle to a change in Persian economic and political conditions. It is simply that the Company bolstered up the existing feudal system (essential to its 'enterprise') by providing indispensable financial support, and impeded an indigenous industrial development by its specific weight (also providing a whole stratum in Persia with incomes and positions which otherwise they could only have acquired by setting up as independent producers on their own account which would have meant a fundamental realignment of forces in the country), while its whole productive organization was directed *outside* Persia which, for the Company, was only a source of raw materials to be plundered, the profits from which, both in the form of dividends and affiliated enterprises, went overseas.⁵ Additionally, the existing conditions in Persia were, up till the war, ideal for the Company (cheap labour, no trade unions, or labour legislation, and no interference from the Persian Government) which in fact was almost an independent British preserve within the

⁵ The Company has indignantly repudiated the charges made by Moussadegh and others, that it went in for bribery and interfered in the internal political and economic life of the country, and claims that the most diligent search will discover no records of such transactions. But we are not as green as the Company imagines. We have already shown that, independently of anything else, *the mere existence* of the Company has produced a tremendous distortion in Persia's economy. Royalties and payments (the only assured income of the Persian Government) constitute in themselves the main weapon of the Company (as can be seen to-day when these are withheld in order to compel Moussadegh — or, as it was hoped, his more 'reasonable' successor — to come to terms). A whisper, the mere threat of holding them up (always to be arranged 'technically') would have been, until recently, sufficient to ensure compliance on the part of Persian authorities. However, not to be excluded are also judiciously dispensed 'presents' (to the 'native' rulers and hangers-on), accompanied by 'suggestions' and 'advice' tactfully whispered into responsive ears, and so on, of which there never are 'records' kept. Once again: the moral hogwash apart, these are some aspects of the normal procedures of, to the Imperialist powers, infinitely cheaper and more efficacious, *indirect rule*, which, in essence, consists only in ruling through the intermediary of a suitably rewarded (and, when the time requires, threatened) existing 'native' authority or one set up for that purpose by the imperialist power. The history of British rule in India, for instance, is a continuous record of just this. More recent example: Herr Adenauer and the Bonn Government in Germany who do (as far as possible) the Allies' dirty work for them. Remembering always that the British Government owns 56 per cent. of A.I.O.C. shares, we can see: the policy of the A.I.O.C. was that of the British Government which, through the instrumentality of the Company, kept Persia down in the interests of profit.

Persian state. There was therefore every reason for the Company to do whatever it could to 'stabilize' the economy of Persia (the benefits of which stabilization, *pace* Morrison, are solely to be counted in terms of money in the final analysis — be it understood, *for the Company, and the Persian bureaucracy*, but not for the Persian people in general), for it must be clear that any independent progressive development in Persia would inevitably call into question the position of the Company and its rôle in the country.*

To go back a bit and round off the picture: Persia, virtually occupied during the war, forced to supply from restricted resources large quantities of agricultural products to the Allied personnel in charge of transportation of war material to Russia, as well as labour for work on railways, etc., and hit by a sudden, violent rise in demand for every sort of manufactured product (the spending power of the Allied personnel), was caught up in a tremendous inflation necessarily involving a lowering of the already miserable living standards of the people. Taking 1937 as 100, the cost of living index for all items rose to 916 in 1944 (food alone, 928), subsequently going down to 775 in 1948 (food, 781).†

In return for help, the Allies pressed by war-time necessities, made the most lavish promises also to Persia (freedom from want, fear and what have you), declaring their willingness, nay, their eagerness! to supply large amounts of aid for agricultural and general developments.

For the first time the Persian people actually had therefore, so they imagined, a real perspective of to some extent lightening the age-old horror of their conditions of life. With this before them, (and pressed on by worsening conditions), adaptation to their lot, seemed to be a thing of the past. Increasingly restive, they forced the government to look for ways to improve conditions.

The war over, the Persian government wasted no time in asking the Allies (largely America) to implement their promises. But the services of

* Export and import statistics in Persia show clearly the pre-eminent position of the A.I.O.C. in the economy:

(in millions of rials)

Year ending 20th March	Imports	Exports	Balance
(including duty free imports and exports of the A.I.O.C. and Caspian Fisheries)			
	(n)		
1946-47	4,956	10,632	+ 5,676
1947-48	5,880	12,360	+ 6,480
1948-49	5,464	19,004	+13,540
(excluding duty free imports and exports of the A.I.O.C. and Caspian Fisheries)			
	(a)		
1946-47	3,613	2,295	— 1,318
1947-48	4,583	2,126	— 2,457
1948-49	4,115	1,798	— 2,317

(a) In both cases the Caspian Fisheries contribute a minor proportion to the amounts involved, as may be seen from the fact that Petroleum and Petroleum products accounted for 75 per cent. of main exports in 1946-47, and 81 per cent. in 1947-48.

(Source: ORBIS, the Encyclopædia of Extra-European Countries, London.)

† Source: ORBIS, as above in Note 6.

Persia being no longer required, it soon became clear that America was taking a more 'realistic' attitude to Persian requirements and that the promises were for the most part just paper-promises made with largesse only in order to keep the country friendly so long as the war made Persian 'co-operation' imperative. America did not refuse loans outright, but attached conditions to them which constituted an interference in internal affairs, unacceptable to the government.⁸

America furthermore blew hot and cold on the matter of loans. A visit to America by the Shah of Persia in 1949 (at the express invitation of the U.S. Government) 'turned into a personal disaster for the young King', writes Marguerite Higgins (*New York Herald Tribune*, 19th September, 1951). 'The State Department wined and dined him sumptuously, whirled him through factories, past irrigation centres and gave him hundreds of tempting glimpses of what technology could do for backward areas. . . . A veteran American diplomat observed: "the visit led all Persians to expect that the King's devotion to modern Western ideas was at last to bring concrete results. . . . You can imagine the impact on the nation — and the Shah — when the Shah's visit produced exactly nothing. America's failure to follow through on the Shah's visit amounted to a public slap in the face. . . . America . . . contributed to undermining the Shah's ability to influence his countrymen."' By October, 1950, all that had been received by Persia was a miserable 500,000 dollars for 'technical co-operation': 'The integrated programme, with major emphasis on health, agriculture and education, is to be carried out in villages near main centres of population. These centres will serve as *demonstration and training areas* [sic!], where the work to be carried out will not only be to improve local conditions but also to train teachers from other areas, who can then return to put the lessons into practice in their own villages.' (*Times*, 20th October, 1950). All in all: the familiar game America plays in the under-developed areas: emphasis is put on 'know-how' useless unless at the same time the 'wherewithal' is given upon which to exercise this 'know-how'.

The situation in Persia, meanwhile, was not getting any easier. To the restiveness of the masses induced by the hope of improvement was now

⁸ We do not know the specific conditions attaching to the proposed loan to Persia. Nevertheless, from other examples of American 'help', one can have a good idea of what this means. E.g.: in Greece which deserves a chapter on its own. And, more recently the Mutual Security Act of 1951. Section 511 (a) of the Act lays down that 'No military, economic or technical assistance . . . shall be supplied to any nation in order to further military effort unless the President finds that the supplying of such assistance will strengthen the security of the United States and unless the recipient country has agreed to — . . . (2) take such action as may be mutually agreed upon to eliminate causes of international tension; . . . (5) take all reasonable measures which may be needed to develop its defence capacities; and (6) take appropriate steps to insure the effective utilization of the economic and military assistance provided by the United States'. Concretely this means: rearmament, for instance, in Europe, to the degree America wants, is impossible without American aid to stave off economic collapse brought by rearmament in its train. Within this framework consequently, American aid is *decisive*, and whoever accepts it progressively falls more and more under American domination, directed, we see, to 'strengthening the security of the United States'. The discussion of the oil industry in its general ramifications and connections will show what is to be understood by this proviso. See also, 'Japan: The Policy of Annihilation in the Far East', by D. Kemp, C.I. No. 10.

added the anger of disappointment. To save itself the ruling clique had to act. Dr. Moussadegh later put the alternatives facing the government very succinctly: 'Persia's misery could be eased in only two ways — by foreign loans or by oil income. Since Persia is unable to obtain loans, he said, *the only alternative was to nationalize oil.*' (*New York Herald Tribune*, 26th May, 1951.)

Oil negotiations did not, however, begin with the proposal for nationalization, but merely with attempts to revise the existing oil agreement. Britain, impoverished by the war and the decline of production during decades, was no longer in a position to make attractive concessions, but, like a beggar at a street market, haggled over every penny, determined to hang on to as much as it could. At this juncture, in the middle of the Anglo-Persian oil talks, the Arabian American Oil Co. (Aramco) signed a new agreement with Saudi Arabia providing for a fifty-fifty split of profits. The effect of this on the Persian Government can well be imagined: they would demand at least as much from the A.I.O.C. The intransigence of the Company, its blank refusal to consider suggestions,⁹ the fact that none of the top directors considered it important enough to come to Persia for direct negotiations but were satisfied to leave it to their underlings in Persia to carry out instructions — all these combined to add bitterness and vigour to the Persian claims, and, through the press, to rouse the indignation of the people until, with the murder early in 1951 of the Prime Minister Razmara who was still prepared to compromise, the situation took on a new quality expressed in the general cry: 'Out with the foreigner. Nationalize the oil.'



At this point it is not possible to go further without taking into account the changes that have occurred in the international oil situation since the end of World War II.

War needs led to a great increase of oil production in the then major producing areas of the world — an increase which did not come to an end with the end of the war. For example, production in Saudi Arabia (restricted before the war by agreements with French and British producers) was 380 times larger in 1950 than in 1938; in Venezuela it doubled between 1937 and 1948; in the U.S.A. it rose one-and-a-half times between 1939 and 1949; while A.I.O.C. production rose two-and-a-half times between 1937 and 1949. By 1950, with demand slackening from its war-time level, competition between British and American producers was becoming more fierce and rendered more acute by the dollar shortage in Western Europe which caused a shift in the pattern of imports from dollar oil to sterling

⁹ 'As a specific example, the Persians wanted the right to buy the Anglo-Iranian oil for internal consumption at the same price it was sold to the British Navy. Although this would have meant little to company profits as consumption in Persia is trifling, the . . . company flatly refused even to discuss the subject on the grounds that it was none of the Persians' business what price the British Navy paid.' (*New York Herald Tribune*, 14th September, 1951.) 'The British long continued to behave here almost as though this were still the epoch of the Darcy concession. They seemed to think anything and everything could still be "arranged" in the old way. . . .' (*New York Herald Tribune*, 21st April, 1951.)

oil, to the extent that this was made possible by available supplies. Britain itself, in 1950, under the necessity of saving dollars, forced American oil companies distributing in British markets to switch from dollar to sterling oil. Of particular interest to us is that 'The surplus of sterling oil which the American companies are being required to take in substitution *has arisen primarily in Iran . . . a decision of this kind need not have noticeable adverse effects on United States producers of crude . . . the burden of the British switch . . . will fall primarily on production from American-controlled sources in Venezuela and Saudi-Arabia.*' (*Times*, 20th February, 1950.) Complaints from New Jersey Standard were that 'it had lost foreign sales outlets for 16m. barrels of crude oil and products in 1949 . . . its loss, amounting to about 6 per cent. of its total foreign sales — which are about equal to its sales in the United States — was "though serious less disturbing than the trend of which it is a part. *Business being lost by New Jersey and other United States companies is being diverted to British and British-Dutch companies . . . it is possible to meet the dollar-saving objectives of British policy without dislocating American oil companies from their world markets through restrictive and preferential measures*".' (*Times*, 14th April, 1950.)

Soon, E.C.A. stepped into the picture announcing that 'the financing of the expansion of British and British-Dutch companies has presented a special problem [sic!]. While recognizing the urgent necessity for the United Kingdom to save dollars wherever possible, they had insisted that its recovery should not be achieved by means that might result in a new pattern of protected trade presenting additional obstacles to a return to the convertibility of sterling and the liberalization of trade. *In addition* [N.B.: here is the real guts of the matter — A.M.] the E.C.A. had also to consider the implications of the programme upon the broader United States national interest [!], including the strategic desire to maintain American-owned concessions abroad. The British had always insisted that their expansion programme was not excessive, and was designed to meet only the needs of their commercial market. They had said that *their use of their current surpluses to displace American oil from the sterling area, and from Argentina, Sweden, Norway, Denmark, Finland, Spain and Portugal*, was only temporary [!], and would not be continued. The E.C.A. had nevertheless *refused to finance* any of this oversea expansion . . . pending presentation of more information on the overall expansion programme. *The E.C.A. was withholding the further financing of British company projects anywhere in the world until the hoped for successful outcome of the talks in which the State Department* [N.B. — A.M.] *were also taking part.*' (*Times*, 6th March, 1950.)¹⁰

¹⁰ Much confusion has been created by one-sided accounts of the changes in the export/import pattern of American oil by concentrating exclusively on home-produced oil. It has been stated (especially at the beginning of the Anglo-Persian trouble) that the loss of the Abadan production, both crude and refined, was a disaster to the 'free world', particularly in view of the fact that the U.S., from being a net exporter, had become a net importer of oil. Nevertheless, 1949 export

Eighteen months later, that is, after the nationalization and shut down of Persian oil, the position has become significantly different. American companies, at home and abroad, were 'compelled' (!) (ain't it all a bleedin' shame) — to increase production. By November, 1951, 'A serious glut of petroleum in the Middle East is feared by responsible American oilmen *as a result of over-exuberant production to offset the closed Persian fields*. . . . [Boys, you're making me cry. — A.M.] Increased production from other fields has more than compensated for the stoppage of Persian crude. . . . With Persian Premier Mohammed Mossadegh preparing to return to Teheran late this week, apparently determined to resume production with native technicians, representatives of big American firms in the Middle East fear a sharply competitive situation will arise [i.e. — just like before the Persian 'crisis'! Nevertheless, things aren't as black as they look. — A.M.]. Persia has given away [!] a substantial part of its market already. . . . Even if Mossadegh works out an agreement with the British it would take months to get back to normal and it would be a strictly competitive situation. [Boy, oh boy, you're telling me! — A.M.] This is true not only in the Middle East, *where it is hard to see how Anglo-Iranian can make much of a profit under such conditions even if it does start up again*, but to a certain extent [!] throughout the world, so far as crude is concerned. We have not only compensated for the Middle East, but with some strain on United States and Venezuelan reserves, [you're breaking my back! —

figures were somewhat over five times 1936-38 figures. The explanation is simple: home-production is only a part of actual American production which is international and includes production by American-controlled companies abroad. U.S. 'imports' are from these overseas dollar sources, and in relation to Persian oil, meaningless. It is simply not true, though this is the impression deliberately created by the hocus-pocus about imports, that these purely formal changes in export/import patterns in any way mean *import of sterling oil*, in which case of course, the loss of Abadan might conceivably have had some unpleasant repercussions in the U.S., instead of being, as it is, entirely in its interests.

Significant in this connection (remembering the moans of New Jersey Standard about Britain's invasion of its overseas markets) is that in May, 1951, there developed, for a time, a price-war on the Eastern seaboard of the States. The first we read is on 24th May: '. . . the United States, despite its monumental task of producing for home defence, the arming of Allies and to satisfy [!] the enormous needs of a prosperous civilian population, is reaching the *normal condition of having too much of everything*. The greatest jolt to the (stock) market was delivered when two of the major integrated oil companies in the New York area cut gasoline price by a cent a gallon, and a leader in the Philadelphia area lopped two cents a gallon off the tank wagon price.' (*New York Herald Tribune*, 25th May, 1951.) The next day things become more serious: 'The appearance of what may develop into a *full-scale price war* in the heavy-consuming eastern states, exerted a sobering effect (on oil shares). Gasoline prices in some communities . . . are as much as seven cents a gallon at retail below normal postings. Five major companies — Sun, Socony, Shell, Texaco and Atlantic Refining have to date joined in the *battle for gallonage*. Esso Standard to-day continued to hold aloof. It is the leading marketer.' By 27th May, a UP message from New York reported, 'A price war slashed the cost of gasoline to motorists as much as ten cents a gallon along the Eastern seaboard yesterday. . . . Dealers placed blame for the price war on "too much gas" *resulting from increased production facilities*. . . .' Comment is surely unnecessary!

A.M.] *we have got the whole world situation under control.*' (New York Herald Tribune, 12th November, 1951.)¹¹

Exactly what is meant by having the world situation under control will be seen from the following examples. As we have said, Abadan supplied many non-dollar countries (Western Europe, India, Pakistan, Commonwealth countries) with part, if not all, of their requirements. Now we read: 'Italy has become anxious about the possible repercussions of the Anglo-Persian dispute on oil supplies here. The position of the air lines could soon become critical. No aviation spirit is produced in Italy *and nearly half of the spirit used by the Italian air lines comes from Persia, while nearly 65 per cent. of the spirit used by the foreign air lines operating across Italy has come from the same source.* Imports from America . . . would represent a drain on Italy's dollar reserves, whereas Persia comes within the sterling area. In 1950 Italy imported nearly 23 per cent. of her total petroleum products (exclusive of lubricating oils) and nearly 18 per cent. of her crude oils from Persia.' (Times, 28th June, 1951.) An AP message from New Delhi (25th June, 1951) reads: 'India is drastically cutting internal airline services to save oil. *Over 70 per cent. of India's oil came from Persia.* A Communications Ministry spokesman said stocks are unlikely to last more than four weeks at the present rate of consumption, and no new imports are expected for at least six.' As for Britain: 'The Persian shutdown . . . cost(s) Britain \$1,000,000 a day in purchase of crude oil from dollar areas.' (UP message, New York, 6th November, 1951.) Many of these countries have also been hit by the closing of the Haifa refinery. France, for instance, used to obtain a minimum of 750,000 tons of crude a year at the Haifa pipe-line terminal, and is now obliged to meet this deficiency by importing oil from dollar sources. Simultaneously we find that, as far as America is concerned, ' . . . oil, because of its nature, has not been the subject of stock-piling demands . . . other important countries "cannot remain indifferent"

¹¹ To forestall any quibbling we add: 'True, the report just quoted adds that 'these remarks apply mainly to crude. There is still a heavy deficit of refinery capacity, which the loss of Abadan makes worse'. Unfortunately, no one, not even a New York Herald Tribune reporter, can know everything, and we have to guard against ignorance which, even if in all honesty, disseminates reports that do not include significant facts, helping to create a false picture of the actual situation. The Times comes to the rescue (when incomplete accounts are brought into connection, they correct each other): 'The loss of the output of the Abadan refinery was more difficult to adjust, but although its immediate effect was to drain stocks, that drain has almost stopped — the shortage of refinery capacity in the world at the moment is only a little over 100,000 barrels a day — *and after the first quarter of 1952 Abadan will be superfluous.* The world's refinery capacity is being increased [we add once more: the increases are largely of American-owned or partially controlled installations using for the most part American crude oil! — A.M.] at an annual rate of between 700,000 and 800,000 barrels a day, *which should take care of all foreseeable increases in future demand.* The hardest problem will remain aviation spirit. Abadan's contribution to the solution of that problem was small, but even without the loss of its daily tonnage there would have been trouble. The steady, even spectacular, increase in the American Air Force and the more intensive training of its pilots have meant a large increased demand from the Department of Defence. The Petroleum Administrator for Defence recently warned the airlines that *the quality of commercial aviation spirit would have to be reduced* if there were "any other added military requirements", among which an intensification of air activity in Korea might be the most immediately likely'. (Times, 30th October, 1951.)

to the effect on their future supplies of the gathering speed of America's defence mobilization and its implications of "a further big expansion of her oil demand". How heavily this could bear on the prospective oil supplies of other importing countries may be appreciated from the fact that at last year's level of total United States requirement . . . a rise of one per cent. would be equal to drawings on foreign sources of something like 3,500,000 tons a year. United States imports of oil are now about three times the rate of her exports, and as this trend is likely to be accentuated in the future, she is likely to remain permanently "the biggest and strongest competitor for available oil supplies oversea". (i.e., from oversea dollar supplies which now form — outside of the U.S. which accounts for roughly 57 per cent. of world production — the major productive areas in the world, accounting for roughly 30 per cent. of world production, on which all countries are to a greater or lesser extent dependent). In substance this means that with the knocking out of the Anglo-Iranian Oil Co., the largest remaining producer independent of America, the whole world is placed on rations to be dictated by America on conditions determined by herself for (and now the *content* of the Mutual Security Act proviso emerges into the light of day) 'strengthening the security of the United States'. Business is business and has, however it is named, the same stench and the same quality of flourishing entirely and only through the ruin of competitors. America is building up a gigantic monopoly which if allowed to develop further must ruin everything.

*

To grasp in all clarity the Persian disaster we must not only, as we already have, recognize the shut-down of the A.I.O.C. as suited to the requirements of American oil producers and the 'security' of the U.S. (for 'security' read dictatorship, economic and political) but we must look into the rôle which the American State Department played in bringing about such a result.

As we have shown, one of the precipitating factors driving in the direction of the Persian demand for nationalization was the new agreement signed by Aramco with Saudi Arabia (in December, 1950) for a fifty-fifty split of the profits. The significance of this measure is greater by reason of the different taxation arrangements which obtain as between American companies and the A.I.O.C. *The Times* comments: "The new agreement (with Saudi Arabia) . . . (gives) (King Ibn Saud) a much larger tax revenue at slight cost to an American company operating under American tax law. British tax law makes it difficult for British companies to offer the same kind of agreement. . . .' In substance this means that any arrangement made with Persia by the A.I.O.C. refers only to *profits after taxation has been paid in England*. Some idea of the effect of this is gathered from Dr. Moussadegh's remark that, 'in 1948, according to the accounts of the Anglo-Iranian Oil Company, the net revenue of the company was £61,000,000, but that Persia had received of those profits only £9,000,000, while £28,000,000 went to the British Treasury in profits tax.' (AP message, New York, 15th October, 1950.) It must be borne in mind that the bulk of the A.I.O.C.'s revenue accrues to it from international sales *ex* London at ruling world prices through the medium of which the low costs of production using cheap

Persian labour and raw material (the oil) are actually translated into cash profits. In Persia itself the cash revenues from sales, etc., are minimal. On nationalizing the oil Persia claimed as well, the distribution facilities which, however, unlike the producing machinery and installations, it could not seize, the sales organization being in London. The dispute centred largely round this point. Whoever controlled the distributing facilities (once the oil was being produced) remained in effect in control of the entire organization. All the proposals of the Company and the British government in their various forms were designed to keep the distribution in British hands with headquarters in London, the distributing company being British in law. This was precisely what the Persians wished to avoid. Once established that the major proportion of the revenues of any new company accrue to a *British* company, British tax law comes into operation as before, besides that, just as important, the Persian government would once again be unable to exercise any effective control on the accounts and the computation of 'net' profits (it is easy to see how, through the transferring of revenue to special reserve funds, depreciation allowance, contingency fund, taxation fund, and so forth, large amounts of what are really profits are withdrawn before the so-called 'net-profits' — alone figuring in any agreement between the new company and Persia — are declared). In this impossible situation Mr. Harriman (N.B. here) at the same time made it clear that 'he would prefer [!] that the British give the Persians no better or worse than a fifty-fifty split in profits. Anything better than that would upset the appcart of big oil companies operating concessions elsewhere in the Middle East'. (*New York Herald Tribune*, 7th August, 1950.) But in just this American 'preference' lies the impossibility (even given that the Persians would have been prepared to come to an agreement on the given British basis) of arriving at a conclusion satisfactory for Persia. One needs only a slight knowledge of arithmetic to arrive at the conclusion: taking for argument's sake the 1948 accounts quoted, a fifty-fifty split according to British tax law means in reality *only slightly over 25 per cent. of the declared net profit*. To arrive at a real fifty-fifty split of the net profits as a whole, the British Company would have had to pay Persia *roughly 90 per cent. of profits remaining after taxation*. An obvious impossibility. Still, some arrangement *might* nevertheless have been forced on Persia, had it not been for the 'peculiar' activities of America.

Already in April, 1951, soon after the Majlis (Persian Lower House) had passed the Nationalization Act, but before its ratification by the Senate which took place in May, Joseph Alsop wrote that while 'The British have pursued in the Middle East a policy of business as usual, the standard of business as usual being established by the conditions that prevailed before the shattering changes of the second World War', '... The Americans ... have committed follies almost worse than Gen. Stilwell and the State Department achieved in China [!]¹² ... the result of the Micawber policy

¹² The coupling together of Persia and China is illuminating since in the latter case too, the tergiversations, contradictions, hesitations, etc., of the State Department gave the illusion that America had 'no policy' and that this lack led to the loss of China to Russia. Ernst Zander has exposed this illusion ('Interim Balance: The Bankruptcy of Power Politics', *Contemporary Issues*, No. 4, 1949) and shown that the 'failure' is the real result which is worked for in secret and ultimately achieved.

to which the State Department appears to incline for the present can only be . . . total disaster. . . .’ (*New York Herald Tribune*, 19th and 20th April, 1951.) At the same time (25th April) Alsop prescribes the ‘cure’: ‘The government (i.e., of the U.S.) must proceed with all haste to take the strongest measures to remedy Persia’s internal evils and remove the causes of instability. In order to get a strong government with a strong programme, a powerful, unified application of American and British influence, sustained, at least for a while [sic!] by generous American financial aid, are the absolute essentials.’

The State Department had other plans. On 21st May, 1951, it angered the Persian Government by coming out against the oil nationalization law. This led Mr. Kazemi, the Persian foreign minister, to declare that the State Department ‘indirectly backed the British protests . . . (and) . . . had created a very undesirable and unexpected impression in competent Persian circles’. Indeed one can understand the annoyance of the Persian circles for not a week before reports had appeared in the American press to the effect that the United States was prepared to send technicians to Persia to help run the oil industry should the British be forced out. And, though Mr. Acheson denied any knowledge of such offers, he carefully restricted this to *the major oil companies*, leaving out of account the many smaller operators who as the *Times* remarked ‘inevitably show a personal interest in affairs of this kind’. (21st May, 1951.)

The next day it was the British Government’s turn to feel perturbed by developments in the United States. A speech by the Assistant Secretary of State for Far Eastern Affairs, Dean Rusk, suggested to the British Government that a new turn in U.S. China policy was imminent — that, despite assurances given the Labour government, MacArthur’s policy of war with China was in process of being adopted. ‘Now the question is being raised here (in London): Can Britain be any more certain of America’s policy in Persia than in the Far East? The suspicion is growing here that the United States is prepared to see Britain’s oil interests in Persia sacrificed.’ (*New York Herald Tribune*, 22nd May, 1951.)

How well-founded was this suspicion, for only a few days later the United States, on representations from Persia, insisted that its statement on oil nationalization had been ‘misconstrued’, the U.S. having no intention to ‘oppose Persia’s sovereign rights or the expressed desire of the Persian government in regard to control of Persian resources’. Rumours of British troop movements to Abadan now became rife, and, while no principled objections were raised as yet, American commentators carefully noted that ‘Britain does not really have enough forces for the job’.

Already here the pattern begins to emerge: The U.S. played an equivocal game with both sides, encouraging and at the same time *discouraging* both Persia and Britain from settling the dispute by promises, hints of aid, official statements contradicted by other equally official statements, etc.

Nor was this all. The dispute was prolonged and acquired, with the passing of time, a more and more acrimonious and intransigent character. The two months from end of March to end of May when Britain had once more resumed negotiations with Persia saw nothing definitive emerge from talks and negotiations. ‘. . . the State Department and Foreign Office have spent their time haggling about what offer the British ought to make to the

Persians . . . rather early, the Foreign Office very timidly and tentatively hinted that American and British influence might be used to persuade the Shah to form a new government capable of acting on the much disputed British offer [i.e., a new puppet government subservient to Britain — A.M.]. But the State Department had an old-maidish fit of vapours at this sinister hint of political intervention, and the unreal haggling went on . . . valuable weeks were spent in empty talk; yet although the talk was endless, the British never thrashed their difficulties out on the highest level in Washington.' (*New York Herald Tribune*, 25th May, 1951.) While this was going on, Joseph Alsop notes 'Ambassador Henry Grady's (U.S. ambassador to Persia) *humble pleas* to the Persians to *accept* a loan of \$25,000,000'. [Italics in original.]

The result: The month of May closed with a formal rejection from Persia of the Hague Court's legal competence to handle the dispute, and a statement by Dr. Moussadegh to the British Ambassador that 'Persia would permit no modification of the oil nationalization law'. The prospect of Britain's finally losing Persian oil was by then very clear, and its effect on her economy accurately described by Joseph Alsop 'The British economy, which depends exclusively upon Middle Eastern oil, will receive a fatal blow. *The huge American investment in maintaining the British as a great power ally will be transformed into money down the drain*'.

It is interesting to note that Moussadegh's final rejection lingers hopefully on the loan which they did ultimately accept from America. 'Persians have been heartened by Mr. Truman's proposal to Congress for a free grant of \$24,000,000 to assist economic recovery. Although the amount is not enough to make Persia unreceptive to negotiations with the British, *it would at least delay economic collapse*.' (*New York Herald Tribune*, 12th June, 1951.) Once again we see America at work: Britain had hoped precisely that economic collapse would make the Persian government more amenable to British proposals. Now comes good old Uncle Sam to help the Persians *to resist*, to stiffen their determination to get the terms they desire, in short, to make them, contrary to the newspaper report, *considerably less receptive to negotiations* with the British. Furthermore, this went directly against British policy which was to deny the Persian government some £40,000,000 which they conceded was 'morally due to Persia' despite the urgings of the U.S. Ambassador who pointed out that it would be wise to 'sweeten the discussions' by renewing royalty payments. Britain was 'understandably reluctant to sweeten the pot unless there is a reasonable prospect of a negotiated settlement', commented Homer Bigart on 15th June.

The Persians at this time still were under the illusion that the Western powers could not do without their oil, an illusion fostered by a score of newspaper scribblers who howled disaster and ruin. The situation however was rapidly assuming a different aspect: Persian oil it appeared (as if no one had known it before!) was entirely expendable, and it became the task of the U.S. Ambassador to explain this rather sad fact to the Persian Government which found it very difficult to get that into their heads, and persisted in believing that 'the Western world needed Iranian oil so desperately that it would provide expert help'. (*New York Herald Tribune*, 16th June, 1951.)

A noticeable change of attitude towards Persia now began to show itself: the Persian claims were deemed 'unreasonable' and the *Times* commented

that 'only disaster could result from pressing for the unreasonable' now that Persia had 'established its sovereign rights and . . . (was) . . . certain to gain increased revenues from a reasonable settlement'. (20th June, 1951.)

For the U.S. oil business meanwhile things were looking up. At the end of June, Marshall Aid grants for oil (\$60,000,000) headed all other commodities, bread grains coming second with \$46,100,000.

The end of June saw a definite turn for the worse (the better that is for America): Britain withdrew its tankers from the Persian oil run, thus closing all access to the world market. In this connection it becomes clear that all offers to Persia to buy oil (some from Poland and Czechoslovakia) were at most 'symbolical' — an inexpensive form of support — for there was no possibility of deliveries. By October Britain evacuated Abadan and the industry was at a standstill.

It would be tedious to follow the details of the business month by month to its inevitable end. In October, Britain appealed to the United Nations. Dr. Moussadegh flew to New York to address the Security Council. (Mr. Grady opined that this was foolish on Britain's part: 'I think the British have given Dr. Moussadegh a chance of a great forum to tell the world how this oil company oppressed the Persian people and show that Western capitalism is tending to control, and possibly destroy, other countries in the underdeveloped parts of the world.') Faced with the necessity to come to a decision, the Security Council in its inimitable way, 'decided to-day (19th October) to drop its debate on the Anglo-Persian oil dispute until the International Court of Justice can rule on the Council's legal competence to deal with the question. This means a delay of weeks, perhaps months, in further consideration of the case. . . .' (AP message from New York.)

The reader has been spared the host of incidents that went to make up America's policy of sabotage through vacillations, hesitations, postponements, etc. The inevitable result was simply: America has won out all along the line and has carried out the policy imposed upon it by the immense surplus production of oil which we have already noted, and which, short of knocking out the Persian production, would have led to a fall in prices, gluts and crisis. For America, what was decisive in the whole thing was, not so much an immediate physical destruction of the installations at Abadan, as a continued delay in resuming production — this delay permitting the major American companies to instal themselves in the markets previously belonging to the A.I.O.C. This done, and taking into account the tremendously expanded production which more than compensated for the loss of Abadan as has been shown, a situation has arisen in which, to repeat, 'even if Moussadegh works out an agreement with the British it would take months to get back to normal and it would be a strictly competitive situation. This is true not only in the Middle East, where it is hard to see how Anglo-Iranian can make much of a profit under such circumstances even if it does start up again, but to a certain extent throughout the world, as far as crude is concerned.' Q.E.D.

The 'desirable' (on the part of American oil producers) has become the 'inevitable': America now has a monopoly of oil production in the world.¹⁸

¹⁸ True there remain a number of non-American minor producers. But these are not decisive, and, given the correct circumstances, can always be squeezed out in one way or another.

We must be quite clear about the implications of this: As a single nation proceeds more and more toward an outright monopoly of basic industrial production, destroying other national economies in its course, the political counterpart of the strangle-hold is nothing other than fascism. In holding the world to ransom in material respects America in increasing degree can dictate in all other respects.

This, on America's part, desirable development becoming more rapid month by month finds apologists beginning to 'prepare' 'the public' for the 'inevitability'. With reference to the Middle East, we find, *inter alia*, one of the Alsop brothers remarking that, 'What almost every country in the Middle East intrinsically [sic] requires and ultimately [!] will get is a powerful authoritarian government capable of forcing basic changes. In an area in which change is absolutely inevitable, this is just what the Kremlin is offering the Middle East in the special Stalinist package. And unless the United States can . . . use its great power also to promote inevitable change, the Middle East is sure in the end to accept the Stalinist package. . . . The problems which confront us (i.e., the U.S.) are immeasurably difficult and nothing we can do [sic!] is going to transform the whole world into a peace-loving and prosperous parliamentary democracy. Yet the problems are problems which can be dealt with somehow. In the Middle East as *elsewhere* [N.B. — A.M.] the situation can be rendered not ideal, certainly, but manageable.' The writing is most emphatically on the wall.

8th March, 1952.

OUR CIVILIZED WORLD

1. Solicitude

A . . . good-humoured exchange has always taken place between Roosevelt and Churchill. Churchill jollied the President about the phrase 'Freedom from want'. He said that he had always intended to ask Mr. Roosevelt what he meant by the word 'want'. "I suppose," Churchill said, "that it means privation and not desire."

2. High Standards

Stettinius Jun.: *Roosevelt and the Russians*, p. 238.

Having protected the market in Britain for French wines and Dutch bulbs, he (Mr. Butler) was able to reassure his colleagues of his determination to do everything to protect their earning capacities even at the risk of giving British consumers access to foreign luxuries.

The Observer, 30th March, 1952.

3. Science

Gloom has reigned in the Camembert district of Normandy because it was discovered that a recent falling off in the standard of the world-famous cheese was due to penicillin injections being given to Normandy cows against certain infections.

All is now well. French cheese chemists are administering an anti-penicillin drug to penicillin-injected cows.

The Evening Standard, 18th December, 1951.

4. Security

General Lawton Collins, United States Army Chief of Staff, told reporters to-day that the United States Army is developing a bullet-proof vest for infantrymen, but it is also trying to produce a rifle bullet capable of piercing those vests.

The Manchester Guardian, 23rd August, 1951.

Nathan Davidson

AMERICA'S GARRISON ECONOMY

WHITEHEAD'S over-generous remark that since Plato all European philosophy has been mere footnotes could, if the context were altered, more justly apply to Charles Austin Beard, the late Dean of U.S. Historiography. However, Beard's materialist probing — not to be confused with vulgar economic determinism, as some philistine critics have done — has provided us with an adequate analysis of the Revolution of 1776, the Constitution, the Anglo-American War of 1812, and the Civil War of 1861; but, his treatment of the Spanish-American War of 1897 is unsatisfactory. Beard erred here on the side of omission. What he has written about subsequent events is uneven in quality, but his specific studies such as the exposé of Roosevelt and Pearl Harbour would be enough to establish his hallmark to fame. In order properly to understand the decisive rôle of the U.S.A. to-day it would be of more value to commence where Beard breaks down, i.e., to try and reconstruct America's wholehearted plunge into the cesspool of imperialism in the last decade of the nineteenth century. Before proceeding on this odyssey a few words regarding the political current of Republican Isolationism — which Beard's self-styled 'Continentalism' represents — and its demise is apropos.

Herbert Hoover is one of the last important figures representing this school which says that the U.S. should not extend its imperial ambitions much beyond the Western hemisphere. The 'right-wing' of the Republican Party has shed this view as a result of the fruits of victory in World War II. In fact, to-day they are not willing to yield as much area in Asia, e.g., Formosa, as the Democrats, despite their complaints that high taxes 'imposed to subsidize the world' may bring financial ruin to their beloved land.

It is these complaints that have made it possible for Truman's 'liberal' supporters to attempt to liken 'conservatives' and 'communists'. Both these groups opposed tax increases for the initial rearmament efforts, fought the Marshall Plan, the North Atlantic Treaty Alliance, the Mutual Defence Assistance Programme and called for a termination of the Korean war. But the truth is that, aside from their different geographic loyalties, the essential disparity between American reactionaries and Stalinists lies in the former's forthright declaration of Empire building. The position on perspectives for American capitalism, as developed in a New York *Daily News* editorial of 1st October, 1950, will clearly demonstrate this:

'Americans have the most productive economic system ever yet devised, and the world's highest average living standards. This country suits most of us fine, though there is room for improvement still.

'But millions of Americans cannot get it through their heads that there are peoples who don't want to have sanitary plumbing facilities, hot dog

stands three to the city block, slim women decorating the landscape, and at least one radio or television in every home.

'If this nation were running the world, there is grave likelihood that it would — with the best intentions — try to ram those and other American blessings down the throats of a lot of Chinese, Mohammedans, Eskimos, Zulus, and so on, who didn't want them.

'One . . . (way) would be to . . . refrain from trying to make other peoples model their lives, conduct and institutions after ours. Let them be themselves. Live and let live — as the British and the ancient Romans did when they were running their respective empires.

'The other most desirable American Empire policy would be to see to it that our living standards stayed high and kept climbing higher, instead of being dragged down to parity with those of our subject nations.

'The Romans and the British in their great imperial ages had the answer to that problem, too. Their attitude toward the provinces and colonies was this: "Boys, we're furnishing you protection and guaranteeing peace throughout our broad domains. In return, you will kindly pay us well, though not beyond your means, by sending regular and generous tribute to the capital city of the Empire or throwing heavy business our way. And when you do it, smile, because the Lord loveth a cheerful giver."'

The *News'* blatant espousal of imperialism comes far closer to posing the central problem of our time than the nauseating statements of those hypocrites who speak for the 'Fair Deal' or 'Socialism', simply because of its partial opposition to the *status quo*. A serious examination of the domestic and international implications of America's preponderant economic and political world rôle, reveals the trends toward the goal so lyrically described by the yellow sheet quoted above.

America for Americans

The American Indians who greeted the Spanish explorers as white gods soon discovered that they were demons interested only in plundering for loot. The musket conquered the bow and arrow. Then European powers, either through a falling out among themselves or through sheer decadence, lost most of the colonies which they had planted to ensure their economic penetration. This picture must be set against the following background: in modern times colonialism has known two waves. One began before the 1500's with the discovery of new trade routes to the East and lasted until the 1810's. After a brief lull in colonial expansionism the second outburst took place in the last third of the nineteenth century.

U.S. expansion until the Spanish-American War of 1897 was in keeping with the old method of seeking commercial entries, like ending Japanese exclusiveness by Commodore Perry's famous voyage in 1854, or settling acquired land. The territory of Louisiana and Florida was purchased from France in 1800 and Spain in 1819 respectively; the Oregon territory was secured by treaty in 1845; the annexation of Texas in 1845 led to the Mexican War of 1846, resulting in the acquisition of land clear to the Pacific Ocean; and with the Gadsden Purchase of 1853 Mexico ceded more land. Even the purchase of Alaska in 1867 from Russia saw the occupation of the area by settlers. During this period, needless to say, the Indian

inhabitants were pushed aside, brutally subdued, and herded into early model concentration camps called reservations.

In proportion to this geographic radiation, America's metamorphosis from an agrarian to an industrial economy was occurring. The victory of the Northern States in the Civil War definitively determined this course of growth. Politically, the Civil War was the continuation of the same democratic revolution which began in 1776; and in the economic sphere, the unhampered extension of manufacture and commerce, gained by overthrowing the British, led to the development of northern capitalists capable of crushing the southern slaveholders. The North did not unify the country in order to free the slaves. Negro freedom was a by-product of the war: the Emancipation Proclamation was issued by Abraham Lincoln to win the Negroes as allies against the South. All the North wanted was the establishment of industrial hegemony in the land. After the reduction of the South and a fuller exploitation of the West, the Yankee imperialist appetite became much more noticeable.

The United States in 1860 was a greater industrial producer than Germany, and trailed only behind France and England. America surpassed France in 1870, and England in 1880. By 1880 the U.S.A.'s internal free market was reaching a saturation point; the country's frontier days were over in 1890; and during this decade monopolization of industry began. Concomitant with the rise of monopoly capitalism America was launched along the imperialist path, i.e., acquiring outlets for the safe investment of the surplus capital which the home market found in 'superabundance'. Herein lies the significance of the Spanish-American War of 1897.

Prior to the war with Spain, when a revolution was fomented in the Hawaiian Islands by American interests there, President Cleveland blocked the attempt to take over the territory. In the midst of the war with Spain, however, Hawaii was annexed, when prospects of a Pacific and Caribbean empire were opened up for God's country. Ostensibly America entered the war in order to aid embattled Cuba to gain her independence, but Beard showed that when McKinley sent his war message to Congress he hid Spain's offer to yield on all American demands.¹ Unfortunately, Beard leaves the impression that, consequently, the war was unnecessary. While it is true that this course of events might have been retarded, because of the very elements which Beard himself brings to bear, the U.S. would have had to begin soon thereafter its march on the imperialist highway. As a growing child wears shoes that are a bit large, so that his feet may have space for growth, nations acquire colonial dominance, in order to permit economic expansion. Under capitalist production profit is insured through industrial expansion. At that time, international competition forced industrial nations to seek a higher rate of profit by exporting capital abroad where there were few investments, labour was dirt cheap, good land was obtainable, and raw materials were plentiful. The desire to settle the social discontent after the panics of 1873 and 1893 by bribing sections of the public with some of the super-profits from imperialist ventures was a factor influencing President McKinley's course of action.

¹ Charles and Mary Beard, *The Rise of American Civilization*, Vol. II, 1947, p. 371.

Spain in her dotage at the time was a pushover in the war, and once defeated, she readily granted Cuban independence, and ceded Puerto Rico, Guam and the Philippines to America. Twenty million dollars were paid for the Philippines.

The Filipino population resisted American occupation. These 'backward' people unaware of democratic blessings, carried on an armed revolt for three years, but were finally overwhelmed. As one American expressed himself: '... we have bought a Shadow from an enemy that hadn't it to sell; we have robbed a trusting friend of his land and liberty.'²

Filipino insurrectionists made the mistake of following Emilio Aguinaldo who was taken in by E. Spencer Pratt, American Consul General in Singapore, and Commodore Dewey, the Pacific 'hero'. They promised him in return for co-operation in the struggle against Spain, that Philippine independence would be protected by the United States Navy against foreign intervention. Soon after the war, when the pledge was repudiated, Aguinaldo's army was crushed and only guerrilla activity was maintained. This course of action, as McKinley explained to a delegation of Methodists, was taken since it would be 'cowardly' to return the Islands to Spain, and 'bad business' to turn them over to any of America's commercial rivals in the Orient; and since the Filipinos were 'unfit' to govern themselves the U.S. had to undertake the obligation to 'Christianize' them. Thus Catholic Filipinos were 'Christianized' in a blood bath of imperialist conquest.

After a period of political retirement, Aguinaldo was so well rehabilitated by the military occupation that when the Japanese took over the islands during the last war he found it just as easy to be adjusted to the new order.

But what about Cuban independence — the avowed aim of the liberatory war? In the declaration of war on Spain, Congress claimed that it had no 'intention to exercise sovereignty, jurisdiction, or control over said Island (Cuba) except for the pacification thereof, and asserts its determination when that is accomplished to leave the government and control of the Island to its people'. The part of the pledge concerning pacification was, as is obvious, kept to the letter of the law. From 1898 to 1902 American troops made Cuba 'safe for democracy'. Only after provisions of the Platt Amendment were incorporated into the treaty with Cuba and in her constitution were U.S. soldiers removed in a magnanimous gesture of goodwill. Cuba agreed to restrict her relations with foreign countries, to permit U.S. intervention 'for the preservation of Cuban independence, the maintenance of a government adequate for protection of life, property and individual liberty', and the reservation of facilities to American coaling and naval stations. Even so respectable an historian as Harold U. Faulkner was obliged to admit that: 'The Platt Amendment reduced Cuba to the status of an American protectorate.'

Subsequent Cuban history is one of revolutions, dictatorships, U.S. intervention, and free elections. It is always a question of which expedient America has to use to keep Cuba in line. By 1934 President Roosevelt could, as part of his 'good-neighbour policy', scrap the Platt Amendment, because in the interim the one-crop economy bound to the U.S. by the preferential tariff rate for sugar, had been developed.

² Mark Twain's essay first published in 1901, 'To the Person Sitting in Darkness', is contained in the *American Literature* anthology (Vol. II, 1949, p. 294).

A knowledge of Cuban events holds the key to such mysteries as American recognition of Philippine independence after World War II, or why after so many years of American tutelage Puerto Rican nationalists should not only try to revolt, but in their desperation attempt Truman's assassination. In regard to Philippine independence the mechanical crudity of the event was symbolically revealed when Manuel Roxas, the Japanese quisling, became the Islands' first president.

Truman was able to carry out Roosevelt's promise of freeing the Philippines after the 'liberation' of 1944-45 inasmuch as it emerged from the war an economic cripple — two-thirds of all wealth, excluding the value of land, was completely destroyed. Under threats of withholding payments of war-damage claims, the Philippine Constitution was amended giving the U.S., among other privileges, a special commercial status. Also, the Philippine Senate ratified a treaty granting military bases to America for a mere ninety-nine years.

The Democratic Party, which promised and now granted Philippine 'independence',³ was opposed to taking over these islands at the time of

³ Although the independence is of the servile kind, enough flexibility exists to permit an indignant reaction to U.S. 'criticism'. *The New York Times* of 26th October, 1950, reports:

'The Office of the President of the Philippines, in an official statement to-day, lashed out at the press (of the United States) . . . The statement purported to be a set of observations on a summary of the Bell Mission's report published in the United States . . . (Daniel W. Bell, former Under Secretary of the Treasury, led a United States mission to Manila that examined every aspect of the economic and fiscal situation in the Philippines. The mission's report, which was understood to recommend that Manila undertake reforms to forestall an economic collapse, has not been made public [until quite recently — N.D.]')

'The Philippine statement said:

'Filipinos are mere pikers to their more accomplished and eminently successful mentors who have had and still have a vast continent on which to base their operations. . . . It would be a good thing to get the Bell report published — at least the substance of it — to inform Filipino and American people what it's all about. Making an obvious secret of its findings and recommendations gives the writers a Roman holiday in unbridled speculation and equally fantastic judgements and conclusions that help nobody and offend the intelligence of everybody.

'What is not widely understood is that Philippine 'bankruptcy and corruption' have an intimate relation to the American example in racketeering and to the insidious inspiration provided by conspicuous consumption, otherwise known as the so-called American standard of living.

'Filipinos, there is no question, are inefficient all right — even in grafting — due no doubt to the simple lack of sufficient experience. With more time and greater chances, they will yet show they can equal or even surpass the stink familiar and now taken for granted in Washington and such very proper exemplary centres of power, prosperity and culture.

'Those who talk so glibly of two billion United States dollars poured into the 'rathole' that is the Philippines seem extra careful not to remember the billions of dollars worth of property and life the Filipinos paid for the luxury of welcoming General MacArthur's triumphal return to their violated shores. The property may be restored partially but can anybody make the dead live again or make whole the mangled and maimed bodies?

'The Filipinos are now getting it in the neck because they are not rich enough to cover up their own stink and be lofty and moral about it before a devastated and hungry world. It costs a lot of money, dollars if you please, to enjoy that special privilege, and not having it they had to accept momentarily the considerable

McKinley's administration. In opposing McKinley's re-election, William Jennings Bryan declared that the question of imperialism was the 'paramount issue' of the presidential campaign. The Democratic Party ran on an 'anti-imperialist' platform, with a strong 'anti-trust' plank to boot. Yet the Republicans won the vote by a clear-cut majority.

American authorities, who use the propaganda mechanism of collective mass guilt, e.g., in 1945 holding the German people responsible for the crimes of the Nazis, with equal justification could hold Americans responsible for the crimes of finance imperialism. The facts annihilate this 'moralizing'. Hitler was not elected to the Chancellorship, but installed, and even then he usurped power. The Democrats acted as a safety valve for the radical, popularist and democratic opposition to the course of imperialism; but they could not represent a real alternative to the imperialist programme of McKinley. The Republican imperialist programme could blind the voters for it seemed an answer to domestic economic problems.

Under McKinley, the Hawaiian Islands were annexed in 1898; after the cessation in 1899 of the tripartite (German, British and French) government of Samoa, the U.S. annexed some of those islands; and American troops participated in 'the march of the allies' on Peking in 1910.

A few words about U.S. intervention into Haitian affairs adds another interesting aspect to this early record of imperialism. The negro island republic of Haiti was occupied in 1914 in order that the Monroe Doctrine should not be violated, for law and order was to be preserved and foreign debts paid, to forestall European intervention. Needless to say, under the direction of their enlightened, self-appointed white guardians no attempt was made to pay back the loans to Great Britain, France and Germany. Certain accomplishments were, however, recorded. A Senate report did admit charges that American marines used forced labour on road work, and that there were cases involving the torturing and killing of Haitian citizens.

Haiti, like Mexico and other nations who have suffered the experience of American armed intervention, is permitted to police itself while an American economic leash is securely fastened around its neck. To sum up: American imperialism guaranteed its foreign investments during this period

inconvenience of being regarded always in the wrong, therefore properly damned and doomed.

"The Filipinos can and do admit there is something wrong with them, their country and Government — and they want to do something about it — but they cannot be bullied to accept that their friends, however well meaning and altruistic, have cornered all the stock there is of efficiency, competence, vision and integrity in the world. Let that fact be known, understood and appreciated before the comrades come.

"The United States is so well endowed and powerful that it should not be too awkward and embarrassing for her to display a little more becoming grace and modesty of spirit for the benefit of a needy and sorely distracted world — if only for purposes of public relations, incorporated."

One can imagine the pressure necessary to force a flunkey to employ such biting words; and, the even greater counter-pressure needed to force one to eat crow publicly: 'President Elipidio . . . (had to) call personally on . . . (United States Ambassador Myron M.) Cowen at the latter's residence about twelve hours after the publication of the statement in local newspapers . . . (to tell) the Ambassador that disciplinary action was being taken against the "party responsible for this release".' (N.Y. *Times*, 27th October, 1950.)

by (1) armed occupation; (2) military intervention when quisling governments failed to preserve 'law and order'; (3) mixing into the affairs of sovereign nations by fomenting revolutions; (4) extension of loans; and (5) corruption through bribery and intimidation. Under the Monroe Doctrine's banner further European penetration in the Western hemisphere was checked, but America found no contradiction in following other imperialist powers into the Orient with the Open Door Policy.

War and Depression

American foreign policy though sucked up in the whirlpool of international competition, must be measured against domestic development, to be properly understood.

Despite the sway of industry over agriculture, in 1870 the U.S. still had an excess of imports over exports. By 1880 the reverse situation had already set in. However, the emphasis in the proportions of total American exports did not shift from agricultural products to finished manufactured goods till 1914. During World War I the U.S. net debt of \$3 billion to foreign countries was for the first time transformed into a net credit of \$6 billion, exclusive of Allied debts. In other words the export of capital did not decisively outstrip her industrial exports until as late as World War I.

The United States floated \$7.5 billion in foreign loans between 1919 and 1929. This amounted to more than the total flotation made by all other capital lending countries. Therefore, an outstanding feature of the post World War I scene was the displacement of Great Britain by America as the primary capital exporter. The war had consumed England's foreign assets by a fourth, and France's by a half; Germany's were completely gone. By 1925 though Europe's physical production had been restored to the pre-war level, continued recovery was deceptive. England and France were reduced to 'loan brokers'. They borrowed long-term from the U.S. and reloaned short-term to others. The high interest charges caused by the short-term character of nearly half the loans granted Germany engendered political instability. A more important factor was the slowing down of the rate of capital export during this period. This development cannot be explained away by the Versailles Treaty, which stripped Germany of her colonies, markets and foreign investments and transformed it from an exporter to an importer of capital, for this economic contraction was more than counterbalanced by America's swelling export of capital.

In fact the hey-day of America's monopoly of finance capitalist development was indeed short-lived.

The catastrophic reverberations of the 1929 crash ushered in a decade of absolute economic contraction for America. Earlier crises had been alleviated by the export of capital to industrially backward areas. But the depression did not see America, the largest capital-exporting nation, extend such activities; on the contrary, she stopped exporting any further funds and even withdrew many investments. Domestically, production had shrunk by 1932 to one half of the 1929 level, and all the 'pump priming' efforts of Roosevelt could only raise production by 1938 after some vacillation to three-quarters of the 1929 point.

Additional foreign investments and domestic production were not simply stabilized at the '29 level but actually were reduced during the 1930's —

bringing finance capital to its knees. The financial oligarchy which played such a powerful rôle for half a century, particularly in the 'trustification movement . . . its mergers, combinations, and recapitalization of corporate industry', called for the sale of large amounts of securities, usually inflated, by investment bankers.⁴ Although in the fifty years following 1880 some industrialists, like Rockefeller, were wealthy enough to enter financial fields, it was the investment bankers who were able to gather scattered capital and place it into the hands of industrialists who craved these funds. Industrial competition had destroyed weak opponents and the surviving capitalists, on the basis of increasing efficiency, could only meet intensified competition by absorbing business rivals. The ensuing function of promoting industrial combinations placed the financial oligarchy in the position of economic dominance. The financiers, by consolidating the monopolization of heavy industry, ruled the economy through an hierarchical structure headed by the House of Morgan. The extent to which finance capital's rôle has since been reduced is illustrated by the fact that the Morgans did not underwrite the British government in the second World War, as they did in the first.⁵ When the second World War came, the overwhelming amount of capital used for economic expansion was supplied by the government. To-day the Atomic Energy Commission operates an industrial empire that will eventually be the biggest single business organization in America, all of which has been 'publicly' not privately financed.

There is an area of opinion which continues to place the weight of 'control' or 'influence' over American industry on the shoulders of banking capital. That banks are still present in nearly every nook and cranny of industry is obvious; capitalism will never be able to do without a credit mechanism of some sort. But the presence of banks in industry, even where some banks appear juridically to control important areas of industry, does not alter the fact that the present function of financial capital has faded into a pale shadow of its earlier rôle. It must be conclusively asserted to-day that although great banking names are attached to equally famous industrial names, the channels for investment activity have essentially been usurped by industry and the government. In the first place, government agencies like the Reconstruction Finance Corporation, the Commodity Credit Corporation and the Export-Import Bank have acquired a major credit function, replacing whole areas of the economy which were formerly occupied by the banks. Secondly, federal legislation has completely restricted the freedom of the banks. On the other hand, internal financing by industry has grown to such an extent that already several large corporations behave as banks with respect to other sections of industry. Like Alice's Cheshire cat, everything has faded out but the grin. This fact has been acknowledged to-day by economists of almost every persuasion of theoretical opinion.

⁴ Lewis Corey, *The Unfinished Task: Economic Reconstruction for Democracy*, 1942, p. 177.

⁵ 'The pressure of this approaching crisis, I am certain, has gone beyond the ability of the Morgan financial agency for the British and French governments. . . . It is not improbable that the only way of maintaining our present pre-eminent trade position and averting a panic is by declaring war on Germany.' (Ambassador Walter Hines Page's cable to President Wilson, of 5th March, 1917.)

Fortune magazine of February, 1951, contains an article 'The Transformation of American Capitalism' which describes the functional withering away of finance capital:

'The decline of Wall Street (i.e., finance capital) actually began long before the reforms of the New Deal. It began when corporations grew rich and independent. The rights to their profits, of course, were by traditional economics vested in the stockholders. But their managers saw no point in paying, say, \$20 a share in dividends on their stock when \$10 was enough to sustain the company's credit rating. They also reasoned that it was *they*, and not the stockholders, who were directly responsible for the profits. So they began to hold back on the stockholders and put the money into corporate reserves. As early as 1905 the Santa Fe, under Edward Ripley, adopted the policy of a dollar for the stockholder, a dollar for the property. Owen Young of G.E. (General Electric) and others, some years later, further developed the idea of self-capitalization, arguing that the money plowed back would in the long run enhance the stockholder's equity. Whether it did or not, it enabled a large part of business to do its own banking. . . . Industry now plows back 60 per cent. of its profits, as against 30 per cent. in the 1920's, and the bulk of money used in capital formation comes from corporate earnings or from internal sources such as depreciation.'

Roosevelt's 'New Deal' legislation did much to circumscribe even the limited rôle finance capital continued to play.⁶ In 1942 Corey, who had stopped defending the theory of finance capitalism and adopted a vacuous managerial concept, could nonetheless write of these events:

'As a result of new economic and financial trends the influence of the stock exchange is declining. It is no longer inspired to speculative frenzy by the promotions of investment bankers and the issue of securities to cover speculative combinations and mergers. Not even the war has brought new life to the exchange. Speculation drops still more as government increasingly regulates speculative practices and limits corporate profits. . . . The stock exchange no longer serves any function in directing the flow of capital into industry through new securities; it is a gambling casino going to seed. . . . (One) phase of government economic activity that strikes at finance capital is . . . (in foreign) loans . . . (they) are not made by the investment bankers. . . . The private export of capital on any considerable scale is at a standstill; it was a rich preserve whose exploitation brought fat profits and power to finance capital. . . . Finance capital is already dead in (totalitarian countries) . . . whether fascist or communist. The state has seized control of corporate administrations, the financial oligarchs being expropriated or

⁶ 'Wall Street was once comparatively free and untrammelled — "self-regulated", the word is. But since 1933 it has become enmeshed in a gossamer of laws and regulations. Like Gulliver when the Lilliputians tied him down, it can hardly move to-day without permission from Washington. One after another its operations have been put under the day-to-day check of some government department. First the investment banking business was checked under the Securities and Exchange Act of 1934; then the banks, under the Banking Act of 1935; and finally, the commodity futures markets under the Commodity Exchange Act of 1936.'

Harold Fleming, 'The Revolution in Wall Street', *The American Mercury*, August, 1950.

forced to become rentiers. The process has not gone that far in the United States. . . . Monopoly in the underwriting of new securities is not ended; the House of Morgan's successor, Morgan Stanley and Company, did one-fifth of the underwriting business in recent years while three-fifths of it were done by six New York investment houses. But the total amount of business was small. . . . Most of the bigger stockholders, however, are rentiers who in a fight with corporate administration could not win; they tend to become mere receivers of dividends, like ordinary stockholders.'

Despite the extreme decline of the private export of capital⁷ and a similar decline in investment banking, the present monopolist system in the U.S. is nonetheless viewed by many as financial in nature due to the specific form of corporations, the dominant business organizational set-up. Although like all other countries America's economy is becoming statified — one-fourth of all goods and services were employed by the government in 1950 — 60 to 65 per cent. of the total volume of business is carried on through the corporate medium, representing almost 80 per cent. of all business wealth. But an analysis of the separation of ownership from management in the corporation, shows that the stockholder, i.e., the legal owner, exerted in most instances only nominal control. Of the two hundred largest non-banking corporations which dominated America in 1929, 65 per cent. of these organizations with 80 per cent. of their total assets, were 'management-controlled' corporations. The gap separating ownership from control has since been extended.

Against this it has been argued that, since corporate profit is parcelled out as investment dividends to stockholders, and the corporate management retains a 'promoters profit', the system is held to be a financial one. The promoters profit apparently makes of corporate management finance capitalists, for it is acknowledged that by means of the corporate control these so-called finance capitalists 'milk' the investors through their commissions, fees, pensions and dirty deals. According to this view, therefore, the pennies, which a 'finance capitalist' outfit like General Motors fleeces from the investors, are supposed qualitatively to distinguish it from an 'industrial capitalist' organization such as the Ford Motor Co., which divides its profits among a small group of owners.

Such a position suffers from a fundamental fault: a false criterion is used to judge the nature of monopoly capitalism on the mere basis of ownership and division of 'industrial' profit and 'financial' investment. Not juridical forms of ownership and profit, but the manner in which capital is accumulated and reinvested into industry is the correct means of drawing

⁷ Professor Seymour E. Harris of Harvard University in his article 'Point Four: Public or Private Aid?': ' . . . in the five years since World War II exports of private capital from the United States (primarily petroleum investments) amounted to little more than 10 per cent. of United States government assistance of \$26 billion . . . statistics simply shows that the United States, the creditor nation of the world has not privately provided the poorer countries with resources commensurate with its responsibilities . . . in the last few years our private capital exports averaged about \$600 million a year, or about one-quarter of one per cent. of our gross national product. Our accumulated \$18-19 billion of private investment abroad in 1950 . . . (poorly compares) with the \$40 billion invested abroad in 1914 by the rest of the world. . . . ' (*Foreign Policy Bulletin: An Analysis of Current International Events*, Vol. XXXI, No. 3, p. 4.)

economic generalizations of this nature. If, e.g., 'private placement' by insurance companies which averaged about 40 per cent. of the bond issues of corporations since the end of World War II, had replaced, to-day, the functional rôle of investment banking, on a basis comparable to the 1920's then the period would surely be a financial one. But the reverse is true. In 1930 the long-term corporate debt was \$51,100,000,000 while in 1948 it had dropped to \$46,600,000,000. Given industry's proportional growth, 40 per cent. then of outstanding corporate debt greatly diminishes in importance. Corporation depreciation charges and plowed-back or re-invested earnings are the principal means for new equipment and plant outlays; *only a small amount was financed by means of stocks and bonds*. This shrinking area of economic activity taken over by insurance companies, 'was a bitter pill for the bankers to swallow', writes Paul Hefferman on the financial page of the *New York Times* of 18th December, 1950, 'but they seem resigned to it'. Mr. Hefferman quotes an appraisal of private placement by Frazer B. Wilde, president of the Connecticut General Life Insurance Company: 'The . . . seller's market . . . of high-grade corporate bonds no longer needed to reach the small investors in order to sell their securities . . . and the distributive services of investment bankers seemed to be unnecessary.'

Statism

Although the 1930's marked a qualitative transformation of financial to statified capitalism in the U.S.A., government pump priming could not eliminate the depression. Some, like Fritz Sternberg, have held the position, that inasmuch as Russia's industry was expanding during this very same period of American economic contraction, the Russian social system was unique.⁸ Sternberg, basing himself on the German Institute of Economic Research as his statistical source, points out that Russia in 1914 had 4 per cent. of world industry. Due to the destruction caused by World War I, the revolution and the many attempts at counter-revolution, production dropped for a period to a figure between 10 and 15 per cent. of the pre-war level; by 1929 Russian industry had risen to 4.5 per cent.; and, at the outbreak of World War II in 1939 Russia's volume of world production was 12 per cent. Russia's production rose to 12 per cent. from a previous 4.5 per cent. of world production, partly as a consequence of a decline in the absolute volume of production in the capitalist world as a whole, so that the rise (7.5) is nothing like as huge as it appears, i.e., as though Russia had nearly trebled its own production. Still even this correction factor would seem to strengthen his argument of the comparative superiority of Russia's planned economy. However, Mr. Sternberg's position falls apart. When Nazism (which he correctly considers a decadent form of capitalism) came to power in 1933, at a time when production had contracted by one-half as it had in the U.S. in 1932, the German depression was solved

⁸ Cf. Fritz Sternberg's *Coming Crises* (1947) and *Living With Crises* (1949).

Sternberg, at times, does assemble useful economic statistics, but, since two-thirds of his latest writing usually reiterates what he has already said in his previous book, anyone wishing to follow his antics should be advised: read only every third book Sternberg publishes.

à la Stalin. The solution of cyclical crises offered by decaying capitalism is merely a stabilization of the former misery. Depression of the living standards, introduction of various degrees of bonded labour and industrial expansion by production for destruction, i.e., armaments, are the decisive retrogressive tendencies driving toward such a stabilization.

There is another body of opinion which accounts for this 'solution' by asserting that Fascism, Communism and Nazism introduced a non-capitalist, new social system in Europe, and that although America is still essentially capitalist, New Dealism definitely represented a crude form of the same tendency. This new trend is expected inevitably to emerge as the universal dominating quality in all countries. Yet no one of this persuasion has been able to show how the economic laws of motion of this new society function any differently from that of capitalism in its present retrogressive stage.

In his book, *The Managerial Revolution*, which is a systematic presentation of this school of thought, James Burnham predicted that due to the profound difference between the social systems of rising totalitarian managerial states and declining capitalist democracies, Hitler and Stalin would try during World War II to liquidate the old order, i.e., the Allies, before a struggle for world dominance could be staged by the rival managerial states of Germany and Russia. In utter disregard of this prognosis, the Russo-German war occurred. Stalinist Russia, which Burnham claimed was even more of an ideal managerial state than Hitlerite Germany, switched with ease from the managerial camp to that of the decadent democracies. Burnham tried to weazel out of his prediction by saying that he was only wrong insofar as 'tempo' was concerned. If what is ascribed to managerial society is really so alien to capitalism, why did this prediction fail to materialize when it was so obviously a logical extension of it? However, if these new features attributed to managerial development are seen as products of capitalist retrogression, then the fact of Germany's action in the last war loses its irrationality, and Burnham's prediction, of necessity, had to be wrong. It must be emphasized that not only Burnham, but all those who predicated their prognostications on the assumption that Russia represented a new class formation were unable to predict the correct course of events. Apologists who saw in Russia, Socialism or some sort of a progressive state, declared that the social antagonism between all imperialist countries and Russia was so great that the former group would subordinate their differences — which were viewed as strictly capitalist in nature — in order to encircle and destroy the 'workers' state' during World War II.

Managerial concepts are part of the ideological preparation for U.S. totalitarianism. The ever increasing trend toward greater state ownership of the means of production along class lines, i.e., the maintenance of an exploitative economic structure, does not possess the stamp of inevitability that these disciples of the 'scientific method' think it has. Armed with the Malthusian premise, they dismiss equalitarian concepts as 'millennial', on the false assertion that not enough goods, primarily food, exist to meet man's needs.*

* 'Prof. Artturi' I. Virtanen, noted Finnish chemist, (who won the Nobel Prize for major contributions to agricultural biochemistry) declared . . . that efficient application of present knowledge of agriculture all over the world would provide

None of the out-right splinter fascist or racist leaders in the U.S. have been as successful in creating a climate where totalitarian *ideology* can flourish, as have the managerialists. However, it is highly doubtful whether managerialism will be the specific ideology of American fascism.

War Economy

These two positions of Sternberg and Burnham of considering the world divided between 'socialist' or 'managerial' economies and capitalism, are neither logically sound nor, though they purport to do so, do they really give an insight into events. Insofar as national reverberations of international crises are concerned, it should be sufficient to point out that unlike previous cyclical crises which worked themselves out in a few years, in the 1929 depression those countries which did not resort to totalitarian measures lay prostrate in a chronic state of permanent crisis. Just as Hitler liquidated Germany's depression on a 'Wehrwirtschaft' basis, only the gearing of industry to armaments production in World War II made it possible for American capitalism to expand its economy and solve the unemployment problem.

In 1937, the Federal Reserve Board Index revealed that the physical volume of production had *returned* to the 1929 level. It was not until *after* the collapse of the 1937 'peak' that Roosevelt seriously accepted the idea that America was suffering from a structural problem. Till then he pushed further the centralization of the production and distribution of industrial and agricultural commodities on the basis of planned scarcity. It was thus *after* 1937 that a shift in New Deal policy and theory took place; hence Roosevelt's willingness to turn from domestic 'reforms' to a new foreign policy, which contained the answer to full employment of men and resources — to wit, arms production.¹⁰ To force compliance with his new

¹⁰ Cf. Charles Austin Beard, *American Foreign Policy in the Making*, 1946, chap. VIII.

nutritious food of high quality for four billion people, or nearly twice the present world population.' (N.Y. *Times*, 14th September, 1951.)

In the *Fortune* article mentioned above the following observation on American farming was made:

'Represented in Congress out of proportion to his numbers, the farmer has been championed by legislators and bureaucrats who have effectively insulated him from the law of supply and demand. By restricting output, fixing prices, and storing up surpluses at government expense, they have done for agriculture what a watertight cartel would do for a group of manufactures of widely varying efficiency. They of course, tended to prevent American farming from becoming as efficient as it ought to be and can be. For they have spread a price umbrella over the farmers that has enabled the worst of them to do all right and the best of them to make fantastic and undeserved profits without necessarily encouraging any of them to become more efficient. The \$23-billion farm industry, furthermore, is hardly comparable to any one industry; it is more comparable to all industry — to all industry cartelized, subsidized, and rigidified.'

While this appraisal is unjust to the poor and small farmer, it would be too much to expect our managerial-Malthusians to arrive at the correct conclusion: the social system, and not nature, is at fault! But it would suffice if they would ponder on the following 'scheme of things'; '. . . it has been announced that government purchases of eggs will be suspended in 1951 though only because no one knows what to do with the accumulations'. (Monthly Letter of The National City Bank of New York, December, 1950, p. 136.)

policy Roosevelt initiated the train of events culminating in the Temporary National Economic Committee hearings, which created the bogey of a popular anti-monopolist struggle. Later cost-plus war contracts eliminated the need for compulsion.

When in 1939, as a domestic consequence of this shift in foreign policy, the depression began really to subside there were still more than ten million unemployed. (Bourgeois economists declared this to be bad because they felt a figure of only two million was 'normal' at that time for market equilibrium shifts.)

In totalitarian countries full employment meant substituting permanent concentration camps of forced or slave labour for the periodical bread lines of the unemployed. The United Nations' Ad Hoc Committee on Slavery states there are no less than 8.5 million slaves or people working under analogous conditions. Actually, in Russia alone there are more than two or three times that figure of forced labourers — but these estimates do not include 'political' forced labour which exists in Russia and her empire, Yugoslavia, Greece, Spain and South America. The committee only dealt with slavery as an 'economic and social problem', as it functions throughout the world — including the U.S.A. The following lengthy selection from Rose Slivka's article 'The Slave Market Here and Abroad', in the January, 1951, issue of *Liberty* magazine, based on the U.N.'s Slavery Committee findings is of immense interest:

'The U.S.A. came in for its share of criticism before the Slavery Committee last March when it was accused of tolerating forced labor for private gain and even "outright slavery" in open defiance of the Constitution. The Civil War may have eliminated Uncle Tom and his Cabin but in his place have come more than 100,000 modern equivalents in hovels.

'Since the adoption of the Thirteenth Amendment in 1865, there had been a persistent although slowly diminishing effort in the South to replace chattel slavery with a system which would keep the worker bound to the employer and would reduce the cash compensation for labor to the vanishing point. The most effective method had been peonage — the requiring of labor to be performed for real or alleged debt. This peonage, or debt slavery, operates most commonly among the cotton share-croppers throughout the South and among the turpentine workers in Georgia and Florida.

'In the case of the sharecroppers, the plantation owner agreed to provide them with land and a shack and to extend credit for seed, fertilizer, food, etc. Since most of them had no money, they were forced to buy through the commissary or plantation store on credit. Exorbitant prices were charged and in many cases they were charged for fixed quantities whether or not they were purchased. The plantation owner, moreover, controlled the marketing of the crop and kept the books and records. Generally, at the end of the season, the sharecropper would find himself indebted to the plantation owner because, he was told, the credit extended to him exceeded the proceeds. Therefore, he had to remain on the plantation the following year to work off the debt. If he attempted to leave, he was detained either by force or arrested for fraud.

'Although the U.S. Supreme Court had declared unconstitutional state laws which legalized these practices, these laws were redrafted and remained on the statute books to be used to intimidate the ignorant.

'In many cases, these systematic arrests for vagrancy on an individual as well as mass basis have been conducted to enforce this peonage. Testimony is frequently ignored and jail sentences are imposed without trial. "Opportunities" are given to victims to work off their fines or jail sentences in the canneries.

'The conditions of workers in the turpentine camps of Florida and Georgia are similar. Most of these workers are brought into the camps by promises of good wages which, in fact, are never paid to them. Others are born into the situation. Like the sharecroppers, they become indebted to their employers. Victims are generally afraid to complain to government investigators because they are Negroes and fear recrimination. Furthermore, many of these camps are actually barricaded. Local authorities, of course, know what goes on but are often paid off to co-operate with operators of these camps. In addition, legislation has been passed to restrict the movement of such labor. But, most powerful force keeping these people enslaved is that of fear with a resulting moral and spiritual breakdown.

'Furthermore, we are guilty of an illegal exploitation of immigrant labor, particularly in the states of Connecticut, Maine, Florida, Georgia, Arkansas, Texas and California. During World War II, the shortage in agricultural labor was met through foreign contract labor, particularly that of West Indian labor on the East Coast and Mexican labor in the South-West. The United States Government, however, failed to supervise adequately the wage scale and working conditions of these laborers. When contract employers had slack periods they farmed out their contract labor like chattel to other employers. If the workers protested, they were arrested as vagrants or turned over to the government. The contract system not only continued after the war, although the labor demand could have been met with domestic forces, but even expanded. Employers could not relinquish this very cheap source of labor supply. During the 1949 harvest season in the South-West, close to 120,000 Mexicans were certified and reported for work on 570 farms. At least, an additional 200,000 crossed the border illegally.¹¹ And it is these illegal "wetbacks", as they are called, who are in the worst position of all. Afraid of complaining to authorities for fear of being arrested, they are cheated out of their pay; they live in vermin-infested shacks, and are often kept on these farms by force or by misinformation for which their ignorance makes them easy targets. The life of the legal Mexican worker is not much better.'

These impurities of the labour process in America exhibit the similarity between advanced and backward capitalist states. However, important differences exist; namely, 'full employment' was achieved by the totalitarian countries, while the U.S.A. needed World War II to produce this effect.

On the industrial side, war production meant that the total annual

¹¹ 'It is possibly more than coincidence that the number of migrant farm workers who course the nation annually has been independently estimated at 1,000,000 — on the order of a conservative estimate of the number of "wetbacks" who annually breach the border.' (N.Y. Times, 27th March, 1951.)

American production had increased from 1939 to 1948 by 57 per cent. In 1928 America turned out about 45 per cent. of world production, to-day the sum is a good 50 per cent.; while conservative United Nations estimates claim that the rest of the world, excluding America, in 1947, had shrunk to 89 per cent. of pre-war volume of world production. A 5 per cent. expansion in America, just one section of the globe, took place only under conditions where *admittedly* more than twice as much (11 per cent.) was destroyed, elsewhere. The picture presented by such statistics is optimistically distorted, because it leaves out the vampire activities of Stalinism. After the second World War, industry was sustained on a 'normal' peacetime basis only from 1945 to 1947. Quickly the American public consumed their war-time savings; inventory expansion and investment by business approached its limit.

An extreme example of the economy's inability to return to a peacetime footing is provided by the aviation industry: 'Until 1948, when the Government began to make sizable additions to its appropriations for military aircraft, the industry had only a negative return on plant and equipment to show for its peacetime efforts.' (*Financial World*, 6th June, 1951, p. 7.)

During 1948-49 production fell almost 20 per cent. from previously attained high levels. The acuteness of this 'adjustment' can be compared with the 'recession' of 1937-38 where production dropped 33 per cent. in one year, or the 1920-21 'bust' where in a similar period production took a 30 per cent. slump. It is significant that military expenditures had steadily declined after the war till it reached a low point of \$11 billion in 1948. Then military expenditures rose, but, at first, not fast enough to rectify this economic plight.

Aside from domestic expansion of armament production, the government resorted to pump priming on an international scale. The European Recovery Programme, better known as the Marshall Plan, was also unable to straighten out this business trouble in the U.S.A. Of course it could not be confessed that these projects were due to a moribund economy, so they were camouflaged ideologically to appear as a means of resisting the totalitarian imperialist expansion of Stalin. At first, these plans not only promised to help Western Europe against the Russian 'menace', but to raise the living standards of the masses. After all, it was explained Stalinism feeds on the legitimate injustices of starvation and ignorance. However, when Western Europe was put on an American diet of economic rations and into a strait jacket of political control, this Marshall programme proved so 'successful' that it was announced — without so much as batting an eyelash — that it would be necessary for the people in Western Europe to 'tighten their belts' still further; to channelize production into more armaments so as to be able to hold off Russia.

Congress provided in December, 1948, for \$4.75 billion in direct aid for the continent under the management of the Economic Co-operation Administration. That this programme of dumping consumer goods¹² could solve nothing, is evident, if we examine England's position in relation to U.S. aid.

¹² Cf. *Contemporary Issues*, Vol. III, No. 9, 'The Cold War and the Hydrogen Bomb', footnote 1, p. 5.

England's grant in 1945 of \$4.5 billion, Canada's \$1.25 billion, plus credits from other sources, were all to total well above the British estimated \$5 billion balance-of-payment deficit. The rise in American prices, after the end of war-time economic controls, slashed 23 per cent. from the value of the loans, so in 1946 another \$3.5 billion was loaned to England. Now, all this aid did not prevent the British crisis of 1947! What could Western Europe do in one year with less than \$5 billion of this type of aid, divided between so many hands, when England alone was unable to come to grips with her own economic problems with so much more money? The additional slice of \$1.25 billion given to England from the E.R.P. fund proved insufficient to prevent the British crisis of 1949.

Subsequently, while the E.C.A. was parcelling out annual allowances, a proposal came before Congress to give away huge quantities of surplus food, i.e., unsaleable food, for these surpluses were barely dipped into by the E.R.P. It was voted down because world food prices would be too seriously affected; thus showing the inner limits of this dumping programme.

Actually the American foreign aid programme has permitted European governments to adjust their people to an ever lower level of stabilization. (E.g., the British are eating less meat during this period than they did during the last war.) The Swiss political analyst, Herbert Luthy, writing in *Commentary* of September, 1951, states: 'This year France has outstripped the record for production it set in 1929. But the plain fact is that even at record height, France's production is virtually at the same level as was reached in 1913, augmented by the Lorraine steel industry which was acquired as a result of the First World War and by the growth of the new electrical and automotive industries. From 1900 to 1913 French production increased by one-third. Since then it has managed, after repeated collapses brought on by wars and economic crises, to climb back up to the same level, only to stagnate there . . . endless war in Indo-China has in five years engulfed as much as the Marshall Plan has brought in.' Holland also dropped her equivalent of Marshall aid into a 'rathole' — the Indonesian campaign.

Slowly the dumping programme gave way to one of international rearmament. The 1950 fiscal year saw \$1.25 billion ear-marked for foreign rearmament under the Mutual Defense Act, as opposed to the Foreign Economic Act which provided in the same period about \$3.25 billion for an omnibus foreign aid appropriation. This limited programme of foreign economic and military 'aid' and domestic rearmament did not prevent growing economic difficulties from arising in the U.S. However, after the outbreak of the Korean War in June, 1950, conditions got under control. The 1951 joint foreign aid programme of \$7.3 billion saw the displacement of economic dumping by rearmament allocations. For every five dollars spent on Europe for direct military items, only one dollar was provided for economic 'aid'. While American business was resuscitated by means of this military financing, the drain on Europe strengthened the Neutralist or Third Force tendencies.

All of which means that this aid programme would be more appropriately titled the Martial Plan. Anne O'Hare McCormick, the veteran *Times* correspondent, put it this way: 'Our European friends who dream of "neutrality" and intimate that they are being pressed to rearm . . . (by the

United States) seem to forget that at almost any time since the war it would have been possible for this country to negotiate "peace" with the Soviet Union at their expense.' Conveniently ignoring such exceptions as Germany and Eastern Europe, which were 'negotiated . . . at their expense', this lady commented ever so politely: 'Of course such a deal is unthinkable. It would mean total defeat for the aims of the United States, which is fighting for a world in which nations can maintain and develop their independence.'

With such noble 'aims' for justification, America's armament budget prior to the Korean conflict was a trifling \$13.3 billion. Three months later it shot up to \$30.1 billion. The appropriation for the fiscal year of 1951 was \$48.2 billion. Congress voted \$60.6 billion for the 1952 fiscal year. For 1953 though the elections dictate an apparent decrease in appropriations the actual rate of expenditures continues to increase. Economists, working on the assumption that America will not enter a full scale war, see an arms budget of \$100 billion on the horizon. This astronomical figure is quite plausible: after all, the Joint Chiefs of Staff for the Army, Air Force and Navy *initially* demanded the stupendous sum of \$106 billion during the last fiscal year. Needless to say, the Defense Department pruned a good many billions from all such estimates; and Congress will continue to lop off additional billions. But this is certain to be followed by upward adjustments. The gap between government spending and income, i.e., deficit financing of the military budget, is being met in the traditional method of pushing taxes up and by a savings programme. Since this cannot close the gap — even with optimum conditions — despite controls, inflation is an unavoidable concomitant.²³

So as not to be accused of indifference to the government-caused inflation, Truman has reiterated that non-military government expenses, particularly welfare legislation, would be cut to the bone. Robert S. Allen, the Washington correspondent, helps with the report that 'Navy Secretary Matthews and Adm. Forrest Sherman, Chief of Operations, have earnestly sought to hold down expenditures. Sherman, for example, sent out warning that any base commander who tried to get funds for swimming pools and other luxuries would face disciplinary action'. (N.Y. *Post*, 30th March, 1951.) And now let us take a look at the alleged cause of all this austerity and heroic sacrifice.

²³ 'Capitol Stuff', John O'Donnell's New York *Daily News* column of 16th March, 1951, quoted from a letter of Congressman Howard Buffet of the House Banking and Currency Committee to his constituents concerning inflation:

"Remember the bank closings up to 1933?" (And all the money people lost in busted banks? — J. O'D.)

'For years those losses — real tragedy — were favourite campaign oratory of New Dealers. Large as those losses were, they were peanuts compared with the losses now being forced on U.S. savings bondholders. During 1950 alone, U.S. savings bonds lost three billion, six hundred millions in their purchasing power. By contrast, all losses by bank depositors from 1921 through 1933 totalled one billion, nine hundred millions.'

Sylvia F. Porter's reply to Westbrook Pegler's 'venomous attack on the entire U.S. Savings Bond program' inasmuch as, 'he brutally coridemned U.S. bonds because a \$750 investment in a \$1,000 bond in 1940 now has a purchasing power of only \$555.70' is dismissed as 'disloyalty' to America's battle against inflation. (N.Y. *Post*, 5th March, 1951.)

A single glance and the menace, Russia, turns into a farce. Even on the basis of over-estimation Russia and her satellites could have no more than 20 per cent. of world industrial production. This leads to the corollary that America controls directly and indirectly 80 per cent. of world production. This distinction would not be decisive, for Germany went into the last war with an industrial war machine that suffered from such a quantitative disadvantage as Russia now has. What makes this difference in gross production absolutely catastrophic is the notorious qualitative aspect of Russian production. With the exception of Poland, according to estimates released by the Statistical Office of the United Nations in 1949, Russia had the lowest *per capita* national income of all industrialized and semi-industrialized nations of the world. The report revealed the following economic disproportion: England, which ranks third among countries in largest *total* national income, has two-thirds of Russia's output, while having one-quarter of her population.

Time magazine of 27th November, 1950, contains an article, 'How Strong is Russia?' which tries to prove that it is possible for this slum empire to conquer Western Europe and Asia, and, if this is achieved, emerge strong enough to make it a 'heavy probability' that the U.S. would submit to this new balance of power. The facts gathered in this *Time* article, from Russian and American governmental economic sources, as well as independent studies, indirectly indicate that such a condition could only materialize on other than the economic-military ground on which the speculation arose:

'Russia has not enough steel to fight a long war involving major ground action . . . Western Germany is now producing almost as much steel as the whole vast U.S.S.R. . . . Russia's oil production, concentrated vulnerably in the Caspian Sea area, north of Iran . . . and a markedly weak feature of its industrial system, is expected to top 35 million metric tons this year. (U.S. production: 262 million.) . . . The satellites are a dubious asset to Russia. Their economies have long been tied in with Western Europe. In steel, for example, the satellites have a total capacity of 5,000,000 tons — one-fourth of Russia's capacity. Yet this production has long been based on materials imported from the West, especially ores from Sweden. In oil — mainly from Rumania's Ploesti, Hungary's Lipe and Austria's Zisterdorf fields — the satellites can produce 6,000,000 tons, a sixth of Russia's own production. But most of this oil is needed to keep the satellites' own industry going. The maintenance — let alone the expansion — of satellite industries might cost Russia more than it would be worth. . . . Soviet agriculture, unlike Soviet industry, has not recovered to its pre-war level, even though growing weather has been good since the 1946 drought. Soviet propaganda plugs the theme that Russia is a land of oceanic wheat fields and of modern collective farms. Actually, in relation to its population, Russia is a poor country agriculturally. With a third more people than the U.S., it produces only half as much grain. Since 1895, Russia has had a drought once every five-years on the average, reducing crops as much as 25 per cent. . . . Before World War I, Russia's farm output had to sustain a nation of 137 million people, 86 per cent. of them peasants. Now, with a food output only some 30 per cent. larger than that of 1913, it has to sustain a peasantry of about the same size as in 1913, plus

a new proletariat of 60-odd million city workers — half again more people, a third more food.

'This does not mean that the Russians are likely to starve — in peace or war. It does mean that the weak agricultural base will be a drag upon any very rapid expansion of Russian industry.'

These aspects of Russian economy are a barometric reading of weakness. To pose the question correctly one must ask, 'How Feeble is Russia?' Edmund Stevens, former Moscow correspondent of *The Christian Science Monitor*, wrote: 'Many observers consider Russia's oil weakness . . . one of the most cogent reasons in the Kremlin against risking a large-scale war at present.' Now, even granting the supposition that Russia is at all capable of the industrial efforts necessary for the production of that weapon of modern weapons, the atomic bomb (which is doubtful), her resources of high-grade uranium ore — necessary if the costs of extraction are not to exceed all bounds — are even in a worse situation than her oil resources.¹⁴

One news commentator reported, when the announcement of Russia's second atomic blast occurred, that more time elapsed between Russia's first and second experimental blasts than between America's. Aside from the obvious reflection this casts on Russian industrial capacity, it is worth noting: *If* the first atomic explosion was a fabrication concocted to excuse the development of the hydrogen bomb, it was necessary to concoct the second explosion as well.

More important than any speculation concerning Russia and the atomic bomb, is the fact that disagreement within Western ruling circles over official policy has helped partially to reveal the fraudulent Russian danger. This is true whether it be information supplied by Bevan of the so-called 'left' or Senator Taft and General MacArthur of the 'right' in their self-justification. There are of course rare moments when policy-makers do call a spade a spade. Senator Edwin C. Johnson maintained in 1949 that 'if it were not for the Soviet-imposed cold-war, the present economic situation in the U.S. would be alarming' and that, 'if Russia suddenly decided to be a good neighbour there would be hell to pay'.

That is why, concerning one American proposal brought to the United Nations for disarmament, James Reston could conclude:

'When the State Department really thinks it has a chance to reach a settlement with the Russians — on anything, let alone on such things as a limitation of armaments — it seldom proceeds in public. Nobody dislikes to negotiate through the headlines of the world's press more than Secretary Acheson. He is strictly a smoky-room diplomat.

'As a matter of fact, the Department of State has a very simple test about Soviet peace proposals, namely, that if the proposals are put forward in public they are phony. And since the State Department has been so emphatic in its judgement that this is the way Moscow operates, it is not unreasonable to conclude that any really serious effort by Mr. Acheson to try to negotiate a compromise in the "cold war" would have been launched in private. . . . It was . . . entirely legitimate and necessary for the Allies to show up . . . with a few proposals of their own, but the practical purpose of those proposals was, not to end the "cold war", as the Allies

¹⁴ Cf. Vannevar Bush's *Modern Arms and Free Men*.

proclaimed, but to wage the "cold war" more effectively'. (N.Y. *Times*, 9th November, 1951.)

If Russia is no real or immediate threat, what then is the logic of waging this 'cold war'? It would take an idiot to deny that current defence expenditures are a disguised measure for maintaining the economy, for that is the inescapable explanation. Most propagandists avoid the thorny economic question and psychologize about the Byzantine soul or Slavic toilet training.

Pax Americana

Russia can only hinder America's attempt at world hegemony. Not counter-measures to so-called war threats, but inner economic compulsions drive America towards the brink of totalitarianism. America, as any other major capitalist state (which includes Russia), must dominate and control its rivals, even to the extent of their industrial destruction. The world-wide division of labour is based on monopolized domestic industries which compete internationally. Any nation which attempts to reduce the industrial level of its economic competitors engenders serious social problems such as the elimination of populations employed by the given competitors. In the handling of the social problem Russia serves as America's model. The industrial centre must expand its military production by curtailment of consumer industries so as to be a dominant international power. This takes place by the constant lowering of domestic living standards accompanied by increasing castification as a buffer between the masses and the ruling class.

The American economy is unable to function on any other than a military basis. This is what threatens to-day's world.¹⁵ Armament production has prevented the U.S.A. from returning to the crisis of the 1930's, but it must be taken into account that the evil of an arms race is created. Yet, one may ask, how is Russian aggressiveness explained, if America is in an economic position that leaves it unchallenged militarily?

In their job of policing the world, America and her West European retainers, have a valuable ally in Stalin. This policing amounts to economically-levelling economic competitors and keeping potential economic threats from materializing. Germany, which was the second largest industrial country prior to World War II, is an appropriate example of how, after they successfully eliminated an economic competitor, the 'democratic', 'socialist' and 'communist' allies were able jointly to maintain the *status quo*.

¹⁵ 'Inflation is still likely to damage the Western defence effort more than the recently discovered problem of raw material shortages,' writes Michael L. Hoffman, 'in the opinion of Europeans and Americans closest to European economic developments. . . . It is becoming clearer every day that, from the European viewpoint, the much discussed international commodity control will have to roll prices back rather than just parcel out high-priced items if it is to help Europe avoid serious inflation.'

'The quickest and most satisfactory solution, in the view of continental economists, would be a real crash in the commodity markets. It is widely believed here that this could be engineered by the United States for some, though not all, raw materials.'

'If international allocations could start off from a lower price platform instead of from one reflecting . . . uncontrolled speculative buying and nationalistic stockpiling, the financial technicians would be much happier about the possibilities of preventing an inflation that could easily have disastrous social consequences in Western Europe.' (N.Y. *Times*, 3rd May, 1951.)

there. Stalin's totalitarian execution of his function was the most thoroughgoing.

The Allied High Commissioners' treaty with West Germany, according to Drew Middleton, gives 'a good deal but it does not give it sovereignty in the dictionary definition. . . . After . . . negotiation in which the Allied position was clearly stated the Germans finally realize that they will get, in the words of one political leader, "something more than occupation and something less than sovereignty"'. He added, 'the political and industrial leaders have been increasingly apprehensive over the possibility that the three Western powers may sell Germany down the river . . . by making a deal on unity with Moscow'. (N.Y. *Times*, 9th November, 1951.)

Inasmuch as China has been so recently handed over to Russia by America, German fears are well founded. Freda Utley's *The China Story* documents each step taken to withhold aid from Chiang Kai-shek, and how American calls for a coalition government or for an armistice were made whenever advantageous to the Chinese Stalinists. That American aid was given to the Nationalist régime at all is explained by Henry Wallace who, during his official visit to China in 1944, wrote to Roosevelt that support of Chiang should be considered a 'short-term investment'. The reason why the administration looked upon Chiang Kai-shek with so little favour is also touched on by Wallace in a letter to Truman on 19th September, 1951: ' . . . one of the worst of several ills from which the Chungking government was suffering at the time was the absolute control of all positions of political, military and economic power by an extreme pro-Asian, anti-American group within the Kuomintang.' (N.Y. *Times*, 24th September, 1951.) It is of interest to recall that the Lytton Report (to the League of Nations), which opposed Japan's 'police action' in Manchuria, spoke of strong 'anti-foreign attitudes' held by the Nationalist Party. Even though Chiang, who headed the régime, was a renegade revolutionary military leader who had turned to Western imperialist support, in his *China's Destiny* (an unexpurgated English edition was published by Roy of New York City) he had to pay lip service to criticism of the Western Powers. Just as Republican Spain was literally turned over to Franco by the 'freedom-loving' West, America required Stalin's agents to police China. Utley leads one astray because she dismisses this criminal act as proof of Senator McCarthy's charges that 'Communists' and fellow-travellers tricked the Democratic administration into following pro-Russian policy. Democrats, smarting under Republican criticism, have threatened to publish secret Senate Foreign Relations Committee hearings in 1952 in order to show that the policy was on the contrary a bipartisan one.¹⁸ Senator Alex Smith, Republican, expressed 'great confidence in Jessup', the author of the White Paper on China, and wanted to see him stationed on Formosa as late as 13th January, 1950. (The Senator's subsequent vote against confirmation of Jessup as Ambassador to the U.N. does not affect his support of the China line.) Smith also reported that he was pleased with the China aid programme. Another Republican, Henry Cabot Lodge, stated on the same occasion: 'I support the broad line of foreign policy

¹⁸ Former Secretary of Defence and State, George Marshall, against his Republican defamers it must be added, testified at these secret hearings in February, 1947, that Chinese 'Communists' were 'pure Communists and not agrarian reformers'.

followed by the Administration . . . I believe it unwise . . . to take military action to hold Formosa.' Ranking minority member of the Foreign Relations Committee, the late Arthur Vandenberg, stated: 'I am in substantial agreement with the Secretary (of State Dean Acheson) on his analysis of the question of seating Chinese Communists (in the United Nations).' Chiang's very dear friend in the Senate, William Knowland, a Republican, went so far as to say on 24th January, 1950: 'The State Department position on Korean situation is correct.' (N.Y. *Post*, 28th October, 1951.) But the policy was clearly formulated to 'yield' Korea, as it was in the case of China, even as Utley depicts in her book.

'In effect, we guaranteed the independence of Korea during the war, yet after the war we withdrew our troops and wrote off Korea,' stated the military expert, Hanson W. Baldwin. 'Moreover, we did not stick even to this policy. The National Security Council, in a meeting in December, 1949, advised the President — and its advice became policy — that if South Korea should be invaded, we should help the Syngman Rhee Government with arms, but nothing more. Overnight, at the famous Blair House meeting last June after the invasion, this policy was reversed and United States forces were committed.' (N.Y. *Times*, 31st October, 1950.) This 'overnight' reversal does not affect Stalin's stabilization of half of Europe and China.¹⁷ It does mean that 'overnight', however, Korea, was seized upon as a convenient pretext for giving American industry a shot in the arm: the economic dip, a glut of commodities and mounting unemployment were brought back to equilibrium by war production. Another element in this decision was to give a push to the creeping fascization of U.S. political institutions, which will permit America to ease its dependence on Russian pacifying services. After the commitment of American troops, and their engagement in a farcical seesaw battle, talk of withdrawing from Korea due to its indefensible nature appears as a pretty poor cover behind which the strongest country in the world hid its desire of turning over that land to Stalin. A peace-time draft, and maintenance of three-and-a-half million men in the armed services, are important steps in the direction of America's attempt at self-reliance in regard to her world 'police duties'. In the interim, as General Douglas MacArthur led his 'U.N. forces' against the Stalinists in Korea, Tibet was surrendered — without even a token gesture of aid. The official American excuse for not sending arms, according to the radio commentator Lowell Thomas, was transportation difficulties. As the totalitarian mist thickens (the Taft-Hartley labour law, the McCarran Anti-Subversion Act, partial industrial mobilization, price and wage freeze, peace-time draft and possible Universal Military Training), America comes closer to really pursuing 'a policy of containment toward Russia. Is it any wonder then, that seeing American democracy being eclipsed, Russia hastens to make hay while the sun still shines?

This jockeying of position among the world powers may lead to a third World War. Arthur Krock, the *Times'* Washington correspondent, whose

¹⁷ 'Vice Admiral Harold M. Martin, new commander of the Seventh Fleet, announced in Tokyo, that any attempt by the Chinese Nationalists to invade the mainland of China would be blocked by the United States Navy. He added that the fleet would stand in the way of commando raids on the coast.' (N.Y. *Times*, 30th March, 1951.)

Republican proclivities did not prevent Truman from breaking presidential procedure by granting him an exclusive interview a short time ago, wrote about the impending emergency proclamation:

'As a matter of fact, none who have called for "all-out" mobilization has explained precisely what he means. Literally, it would mean abolishing the civilian economy, because under this programme twelve to fourteen millions would go into the armed services as soon as that could be managed. . . . If no aggression of the size it was designed to repel, and no prospect of such aggression appeared over a period, "all-out" mobilization would confront the nation with the colossal problems as what to do with such a force and how to channel it back into the civilian population without national collapse. And "preventive war" might gain support as an alternative to this vast demobilization.' (N.Y. *Times*, 14th December, 1950.)

Surely no one doubts that an improvement on past aggressive incidents which 'cause' wars such as the sinking of the *Maine* or Pearl Harbour, cannot be dished up! The very day Krock's words appeared in print, Governor Dewey of New York State called for all-out mobilization. Despite the cries from the Republicans, Truman, the following night, in line with his Defence Secretary, Marshall, announced that he would proclaim a state of national emergency, but with only partial mobilization. However, the handwriting is on the wall, insofar as all-out measures are concerned. Industry devoted to war production in America will more than double under the 'national emergency' — from 11 per cent. to 25 per cent. With the end of 1951 one-fifth of production falls under the war category.

Only the *Daily News*, whose advocacy of Pax Americana served as our point of departure, could be counted upon to be utterly frank in its appraisal of the 'emergency'. In an editorial, 'Keep Fascism in Check' we were bluntly told on 26th December, 1950:

'For the duration of the national emergency recently proclaimed by President Truman, the American people will be living under a system having many of the characteristics of Fascism.

'The Government will be telling manufacturers what and how much they may make for the military and for the civilian consumer. Controls of one kind or another will be clamped by the Government on prices, production, goods, consumption, and . . . wages.

'This kind of set-up can be called by any pretty name you like. But it is government supervision of practically everybody, without government ownership of the means of production; and the correct name for such a system is Fascism.

'Mussolini invented it; Hitler stole Mussolini's ideas and added a few of his own; and the Roosevelt-Truman New and Fair Dealers have been aping Benito and Adolf in various respects for years.

'Perhaps a measure of Fascism is necessary in time of war or near-war in a democratic country — though we doubt it. But barring a miracle of some kind, this country is in for a considerable amount of Fascism for quite a while.

'We think the greatest of all the dangers in this situation is that a lot of controls and curbs and curtailments may be fastened permanently on Americans. . . . Such being our clear and present danger, we hope the

Republicans in . . . Congress . . . will constitute themselves a Committee on the Whole Against All Unnecessary Fascism.'

In the face of the bipartisan tradition such a meaningless alternative does not deserve the dignity of a refutation; but, the word 'Unnecessary' in the proposed committee's title is positively disarming. The characterization of these economic controls as fascistic is correct, though America is still as yet not a fascist state in all respects.

Typical opposition to the mobilization programme is the complaint voiced by the National Retail Dry Goods Association: controls have not been applied to all sections of the economy equally. Even Henry Ford 2nd, president of the Ford Motor Co., objected to 'discriminatory' restriction of automotive production. Fat war contracts will appease Ford, but those who produce for the consumers will face further curtailment. The Emergency Programme has announced, in effect, that it can mobilize America's capitalistic economy totally, only for war.

If total mobilization means the complete fascization of life in America, it will have a deeper significance than the appearance of dictatorship in any other country. America, which has at least half of the world's industrial production and controls enough of an additional per cent. outside her borders to monopolize the world market, needs only the military means to overcome the anarchic conditions of capitalist competition in order fully to stabilize her supremacy. Not Russia, but Western Europe with its tottering colonial empires, is all that stands in the way of realizing America's imperial ambitions. Even those who are against the withdrawal of America's armed forces to the Western Hemisphere so as to leave her protected by an island line of defence from Japan in the Pacific to England in the Atlantic — a policy articulated by ex-president Herbert Hoover and the Ambassador to Great Britain at the time of Munich, Joseph P. Kennedy — postulate (like the editor of the *N.Y. Times*) only that such a policy is 'premature'. Western Europe can be handed over to Russia, if America so decides, only after a war *à la* Korea, where the industrial level is destroyed by fighting and after a 'scorched earth' policy of retreat. Whatever is left of Western Europe's industry the Stalinists can be counted on even further to mutilate or carry off to Russia. How else could Stalin prevent Titoism, or a military over-extension from sapping his strength? The effects of such a holocaust would be that Russian expansion would not industrially jeopardize the U.S. Arthur Koestler's latest novel, *The Age of Longing*, which is set in Paris during the mid-fifties on the eve of its 'liberation' by the Commonwealth of Freedom, shows how well Europeans, as well as Koestler, who is really a political propagandist, are aware of this danger. If this or any other struggle which breaks out is at all protracted it will not be because of Russian strength, or even because she may take advantage of firing the first shot, but because of America's deliberate desire to destroy economic competitors, which means specifically her 'allies'. The more likely alternative, however, is that Western Europe will be gradually reduced by the loss of her colonial base, as is now taking place.

THE SOCIETY FOR SOCIAL RESPONSIBILITY IN SCIENCE

A FOLLOW UP

IN the fifth number of *Contemporary Issues* (Winter, 1950) was published a brief announcement of the formation of the 'Society for Social Responsibility in Science', together with an editorial comment, 'We hope to develop further means of co-operation with the Society'. We meant it, and some friends of this magazine in New York proceeded to act accordingly.

There exist in America several distinct strains of opinion in opposition to official views, and anyone acquainted with these matters can usually recognize in printed material which species is responsible for it. No such person would have much difficulty in recognizing the mentioned announcement as a production of *pacifists*. This is not the appropriate place to discuss pacifism or what is behind it, but to the attentive reader of this magazine it should go without saying that our interest in the Society was not in its pacifism for itself. The chief valuable thing in the Society's original statement was its 'emphasis on the constructive alternatives to militarism', and it was with the hope of developing a common work on this side of the matter that we proceeded. The whole revulsion from the frightful new technical means of making war was something positive, and if anyone really proposed (whatever the theories in the back of his head) to go ahead with real alternatives on a concrete basis, what more could be asked? This last point decides everything.

The co-operation with the Society lasted more than a year, the history of which would require a lot of words. It is very essential, however, that things be given their proper weights and proportions, and it would be a great mistake to lend to insignificance, by 'combatting' it at excessive length, a dignity it does not deserve. As a matter of fact the whole Society and co-operation with it came to nothing and is nothing, and this present note is simply for the record.

A couple of sample details will suffice to show the course of things. In a New York gathering in the spring of 1950 (composed largely not of founders but of outsiders attracted by the clean viewpoint of the prospectus documents) it was proposed to go ahead practically to publicize and follow up the grievances of some anthropologists at a New York university, who had been confronted with the proposition — 'adapt your work to military needs . . . or else' — with an exceptional brusqueness. The reply of the official Society, in the person of its president, Victor Paschkis? Just this: though the Society believes in co-operation with those in other fields, it is primarily a grouping for physical scientists, and the affairs of others not qualified to be members are not directly its business!

At a September, 1950, convention in Haverford (Penna.) a resolution was offered making this chief point: 'constructive alternatives to militarism' must be construed more broadly than as inducing technical men to leave off work in munitions plants and associate themselves with industry manufacturing the wares of peace; must endeavour to fight collectively for technical men who find the military framework moving in on them, must devise and espouse plans for the better technical organization for human welfare, and contrast them to the actual military viciousness. Though there was some agreement on paper with the resolution, in practice the previously mentioned activity, essentially the repetitious proselytizing of the charter principles of the Society, remained the exclusive real content of its activities. We spent a lot of time (far too much) lighting such firecrackers under this inert backside, but no results! We were in the proverbial position of the man who bought a dog, and then had to do all his own barking. We suggested support of the Wiener plan for urban decentralization, to be put forward in answer to official 'civilian defence' propaganda. No response. Finally we took matters into our own hands and wrote in the name of the local Society grouping to the physicist Hans Bethe, proposing the moral need for himself and his colleagues to leave off work on projects such as the Hydrogen Bomb (see C.I. No. 9, in 'The Cold War and the Hydrogen Bomb'). This was no more than the application in a specific case of the general position of the Society. Its rejoinder, however, characterizes this organization quite thoroughly. Immediately the official Society, though it admitted that there were no definite objections to the *content* of this letter, insisted on dissociating itself from it in writing, and felt it necessary to issue a 'censure' to the writer on the legalist grounds that he was not speaking on the basis of previous consultation with all the New York members. The basis? The letter's harsh and 'objectionable' *tone*. A pretty picture! These principled 'opponents' of war and its works find their professional (clique) solidarity with the *proponents* of war (especially 'objectionable' was found a harsh word for Professor Harold C. Urey) far outweighs the ties with 'harsh' and 'objectionable' advocates of the principles. If these are the friends of peace, preserve us from its enemies!

Well, how seriously can you take that? Our long, strenuous honeymoon with the Society came to an end. It is plain (in spite of the merits of certain sincere individuals) that this Society is now not only valueless but positively harmful to the ends it purports to serve. It is, as the expression goes, a living lie (or rather, not to lend it undeserved dignity by over-enthusiastic language), a small, grimy fib. If words mean anything it is not the proponent of 'social' 'responsibility' in science. At the most it impels a few individuals to get their individual noses clean of military work, preserving the illusion that all is well by removing a bad environment from around their sacred personal consciences, instead of 'responsibly' undertaking to ameliorate at least a little that 'social' environment. The one thing which could have saved the whole mess, and led at least a few of those attracted to the positive initial statements out of this stultifying framework, would have been a definite commitment in some specific, positive action. This was resisted with sedulous and awe-inspiring inertia. Very well. If you run on to the corpse, bury it.

P.M., November, 1951.

Thomas Cranmer

CRIME AND COMPETITION IN AMERICA

THE nation-wide 'crime investigations' early in 1950 brought to the attention of a broad mass of the American people, the widespread connections between racketeering and politics. The New York elections of November, 1950, in which it was evident that powerful criminal elements played an important part, complete the picture. The investigations of the 'Special Committee to Investigate Organized Crime in Interstate Commerce' (otherwise known as the Kefauver Committee) indicated a nationally organized base for criminal activities extending from gambling and prostitution to investment of 'profits' gleaned from such 'enterprises' in legal business ventures. Through connivance with public officials and police agencies, the major criminal gangs have become syndicates operating in interstate commerce, labour and business racketeering, black marketing, narcotics, etc., and have secured monopolies in the illegal operations in which they are engaged. These syndicates enjoy police protection from law-enforcement officials, while mobsters attempting to compete with these entrenched criminal groups are arrested and prosecuted. The parallel with the development of commercial activity in America — a limited number of monopolies in each field of business enterprise sharing the field with each other and thus securing domination and exclusion of smaller business interests — is carried out almost with precision. Illegal activities serve to provide 'easy money' for 'respectable commercial ventures' which at the same time act as a camouflage for such activity. The liquor and used automobile businesses as well as the valuable control of rights to piers in New York harbour, serve as only a few cases in point. The Kefauver Committee established that criminal activities flourish in at least fifty fields of business — all the way from tailoring to television.¹

¹ Below is presented the official list of affected enterprises. However, it is necessary to append certain qualifications to this very sweeping list. For despite the size of the 'take' resulting from their various enterprises, criminal business men have not been capable of seriously penetrating beyond light, 'periphery' industries. American heavy industry, well practised in competing on international levels (with, incidentally, tactics rather similar to those of the mobsters) has little to fear from the domestic crime empire in the way of substantial economic competition. It is rather that the criminal interests have crept into the chinks in the economy, burgeoning wherever new luxury or service industries have developed. The list presented by the committee rather indiscriminately includes the coal, steel, oil, and manufacturing industries. Criminal participation in such enterprises is limited to the service, delivery, and dealer departments, i.e., to the distribution, *not* the production, line. The electrical equipment and automobile industries are further examples of the one-sidedness of crime's rôle in Big Business.

A question-mark below signifies limited participation or merely investment,

Total annual gambling receipts alone have been estimated near \$20 billion. But the very size of these returns makes it difficult to re-invest in the relatively narrow field of criminal enterprises. The legitimate business world offers unlimited possibilities for capital investment, and though its profit percentage is much lower than that found in, for example, slot machines, there is far less legal risk involved. Thus with the ability to grant municipal contracts, to obtain sinecures for friends, and otherwise to utilize their powers of patronage and their proximity to the taxpayers' money, political figures can be valuable assets to the gangster elements. Protection from and sometimes complicity with agents of the law can be accomplished by purchasing the right political connections. The tommy-gun is no longer the symbol of American gangsterism; it has been replaced by the greased palm on the banners of the underworld.

Before the First World War, crime in the United States was on a much smaller scale than we know it to-day, but this should not imply that it operated on a totally disorganized basis. Though national crime as a whole was not controlled by 'combinations' of top level gangsters, each representing his own mob or area, criminal activity within a city was worked on the ever important basis of planned police-gangster co-operation. In fact, the organization of crime in cities like Milwaukee, St. Louis, New York and Philadelphia, foreshadowed in microcosm the ensuing development of American crime. Lincoln Steffens, the noted 'muckraker', wrote long ago that the function of the police under such conditions was not to pursue the crooks, it was to develop friendships with them. The more powerful elements in the cities mentioned above were able to make deals with the police force or the mayor or the political machines. Those engaged in burglary or petty larceny were placed in a precarious position compared

while an exclamation-point signifies decisive control. A combination of both means limited control:

Advertisement (?)	Juke box and coin machine distribution (!)
Amusement industry (! ?)	Laundry and dry cleaning (! ?)
Appliances (! ?)	Liquor industry (!)
Automobile industry (?)	Loan and bonding business (?)
Baking (?)	Manufacturing (?)
Ballrooms, bowling alleys, etc. (!)	News services (! ?)
Banking (?)	Newspapers (?)
Basketball (!)	Oil industry (?)
Boxing (!)	Paper products (?)
Cigarette distribution (! ?)	Racing and race tracks (!)
Coal (?)	Radio stations (?)
Communications facilities (?)	Ranching (?)
Construction (! ?)	Real estate (! ?)
Drug stores and companies (! ?)	Restaurants (! ?)
Electrical equipment (?)	Scrap business (! ?)
Florists (! ?)	Shipping (?)
Food industry (! ?)	Surplus sales (! ?)
Football (!)	Tailoring (haberdashery) (! ?)
Garment industry (! ?)	Television (?)
Gas stations, garages (! ?)	Theatres (?)
Hotels (! ?)	Transportation (?)
Import-export business (! ?)	
Insurance (?)	

(Third Interim Report of the Special Committee to Investigate Organized Crime in Interstate Commerce. 82nd Congress, 1st Session, Report 307.)

to the more prosperous, more easily able to pay graft, and consequently more fortunate, gambling, saloon and vice groups. These latter promised those in charge of the municipal government that the city would be policed by their own people in such a manner that 'alien' influences (out of town crooks, petty thieves, and others not in the deal) would be taken care of (jailed, fined, warned, thrown out of town permanently). Thus with the compliance of the law enforcement groups the monopoly of 'insiders' as against 'outsiders' was guaranteed. The police were put on the gangsters' payroll, and the gangsters went to work policing themselves.

At the end of the war, with the addition of the prohibition amendment to the constitution (1920), the bootlegging business became the mainstay of criminal enterprise. Before prohibition, crime had been localized and devoid of any of the glamour which became attached to it during its transformation into Big Business. But the disrespect for law created by prohibition, and the lush living the mobsters enjoyed as the result of their illicit liquor traffic, made them enviable to large sections of the slum districts from which they recruited their helpers. Because bootlegging was profitable enough to make crime literally a business proposition, the exigencies of the liquor traffic brought about the syndication of criminal groups. Each bootleg group which transported a load of liquor from one place to another was in danger of being hijacked by another bootleg group. Protective alliances were formed, rules for the conduct of the Crime Business were set up, and with them an enforcement agency, the awesome 'Murder Incorporated'.

'Murder Incorporated's D.A.'

The investigations of Murder Incorporated from 1935-37, and their continuation in the early 1940's, highlighted the fact that crime had become a profitable business, regulating itself on a national basis. District Attorney William O'Dwyer of Kings County, New York (from 1940-42), was in a position to utilize the facts gathered about several of the group's leading members and to press for their indictment. Abe Reles, admitted murderer, told D.A. O'Dwyer that the combination was headed by six bosses (all of whom, except Siegel and Moretti, are still at large). These were: Joe Doto (alias Adonis), head of the gambling concession; Bugsy Siegel, head of West Coast crime, who was killed in 1947; Siegel's partner, 'Little' Meyer Lansky, gambling and narcotics; Lucky Luciano, reputed kingpin of the Mafia; Longie Zwillman, leader of New Jersey crime and Willie Moretti, Mafia leader and labour union racketeer. Reles also pointed to Albert Anastasia as the chief executioner of the crime syndicate, the man who directed all the killings done by the Brooklyn 'troops'. With this knowledge, and with Reles ready to testify that he had been present with Anastasia and Jack Parisi, who had planned the murder of one Diamond, O'Dwyer kept Reles 'on ice' for twenty months. During this time he was under police guard at the Half-Moon Hotel, Brooklyn, with police captain Bals, appointed by O'Dwyer, in charge. However, one morning in November, 1941, O'Dwyer's admittedly perfect case against Anastasia was shattered by the death of Reles, under the most suspicious of circumstances. Bals later gave this unbelievable account of how Reles died: with six men guarding him, Reles managed to awake early, dress, and lower a bed sheet

from his fifth floor window, down which he planned to escape — all this undetected. He fell to his death in the attempt. Truly remarkable! And O'Dwyer agreed with this story — he even appeared later at the departmental trial of the policemen guarding Reles, in order to absolve them of the blame for his death.

O'Dwyer's obstructionism can be further exemplified by the steps he took in connection with an investigation of racketeering on the waterfront in 1940. John Harlan Amen, appointed special prosecutor to inquire into corruption in Brooklyn, was investigating the racketeer unions controlled by Albert Anastasia. Mr. Amen was successful in getting the Supreme Court to direct the production of the records of these unions. The books were almost in Amen's possession when O'Dwyer as D.A. instituted his own investigation, and had the books brought into his own office. Intensive questioning by D.A. O'Dwyer's staff revealed that Anastasia and other gangsters had stolen hundreds of thousands of dollars from unions and had destroyed the union's original books. Amen, seeing that results were being obtained by the D.A.'s office, dropped his own investigation, and handed over all his records to O'Dwyer's office. It was at this point that O'Dwyer took the strangest and most unjustifiable of courses. Claiming that sufficient evidence had been brought together on the extortion cases revealed by the investigation, and that the emphasis should be on the murder cases brought to light, he suspended the investigation. (Ample demonstration has been made of how the murder cases were handled.) He never reopened the waterfront investigation and the two or three years left before the statute of limitations took effect were exhausted, resulting in a complete discontinuation of any further inquiries. A fine finis!

In June, 1942, O'Dwyer entered the U.S. Army as a colonel. In 1945, he returned to civilian life, leaving the post of Brigadier-General (to which he had been appointed through Roosevelt), and accepted Democratic-American Labour Party (the latter is Stalinist) support for the mayoralty race in November, 1945. In winning this second most important elective position in America, O'Dwyer was placed where he could crack down on crime and gambling activities in the New York area. But true to form, he completely neglected to remedy the situation. 'Neither he nor his appointees took any effective action against the top echelons of the gambling, narcotics, waterfront, murder or bookmaking rackets. In fact his actions *impeded* promising investigations of such rackets.'² [Italics mine — T.C.] Not only failing to follow up in prosecuting these 'top echelons', he rewarded those who neglected their duty to the public. Both James A. Moran (who ordered the removal of the 'wanted card' for Anastasia from the police files), and Capt. Bals (who did the removing) were favoured with intimate personal friendship and financial preferment through lucrative city positions. Moran, who handled O'Dwyer's personal finances throughout the ex-D.A.'s Army service, got the job of Deputy Fire Commissioner, and later a sinecure as Commissioner of the Board of Water Supply, when O'Dwyer became Mayor. This is the same Moran who was visited regularly by Louis Weber, well-known policy racketeer, in his Fire Department office. Capt. Bals, too, was such a close friend of O'Dwyer that when the newly elected mayor of

² *Ibid.*

New York City returned from one of frequent vacations to California to enter the office of Mayor in 1945, Bals met him at the airport and they discussed what Bals' function in the new administration should be. The day after O'Dwyer took his oath of office, Bals was appointed 7th Deputy Police Commissioner. This appointment carried with it certain pension rights which enabled Bals to earn a larger salary than he had ever earned in any previous position on the police force.

But O'Dwyer went further than this. His attitude toward investigations into local criminal activity was actually hostile. In 1950, he branded the inquiry into gambling and police corruption led by Brooklyn D.A. Miles McDonald, a 'witch hunt'. He had an investigation of his own made into the police investigators used by McDonald, which hampered the operations of the Brooklyn investigation. In 1945, he claimed the statement of a Brooklyn grand jury criticizing his actions in the Anastasia case were 'inspired by political bias'. So certain was the grand jury of its charges that in a second statement a month after his election in November, it reiterated these charges. The election safely passed, O'Dwyer finally admitted that the original statement was justified, though he avoided personal blame by pointing to the 'laxity' of his subordinates.

Costelloism

O'Dwyer and other officials under discussion, will remain only what they really are — caricatures of the interests behind them, if viewed as individuals. Any investigation of the political scene in New York for at least the past decade must centre around Tammany Hall and the powers controlling it. One of the foremost of these is Frank Costello. Costello's influence in Tammany, the Democratic party machine, is remarkable. He knows (the word 'knows', and not 'controls', is used because the record of this association is carefully guarded) Carmine DeSapio, Tammany leader, and many Democratic district leaders, very well. His intimate friends include Louis DeSalvio, brother-in-law of Little Augie Pisano, well-known mobster. Vincent Viggiano, leader of the 2nd Manhattan district, and cousin of 'Socks' Lanza, the fish-pier extortionist, is another 'acquaintance'. (Indeed political 'leaders'!) Costello has more than once wine and dined such notables as Al Toplitz, former district leader and chief clerk of the board of elections, and Sam Cantor, district leader. Prominent in the split in Tammany which formed the basis for Impellitteri's rôle as 'independent Democrat', was Frank Mancuso, district leader, holder of an executive position in Tammany, and as should be expected, lifelong friend of Costello.

Costello's influence was most obvious during the reign of Michael Kennedy as Tammany leader, but it certainly didn't end when Kennedy left his post. During the Tammany leadership of Hugo Rogers, Costello again rode high. He testified to the Kefauver Committee that Irving Sherman (extremely important gangland figure who escaped questioning by going into hiding) was also an intimate. Costello's influence on O'Dwyer has been strong enough for some to refer to the latter as 'Costellodwyer'. In 1942, when O'Dwyer (an army officer at the time) was given orders to keep Wright Air Field clean of criminal influence, he turned to no other than that man of great civic stature, Frank Costello. O'Dwyer, with the

official capacity that was his, did not call Costello to the office of the Army Air Corps; instead he went to his home. In this O'Dwyer was not unique. There had been many in high political positions to make the same trip, and there would be many more. Hugo Rogers, even when leader of Tammany Hall, stated on private examination that, 'If Costello wanted me, he would send for me'.³ This is the Costello who has admitted that since becoming a citizen in 1925, he has engaged in illegal bootlegging and illegal gambling and slot machine operations. This is the Costello who the Kefauver Committee believes 'has been a strong and evil influence on New York politics'.⁴ And this is the Costello whose friends O'Dwyer appointed to high municipal positions, because as O'Dwyer once said, 'There are things you have to do politically, if you want co-operation'.⁵

After condemning sinister influences in Tammany Hall, O'Dwyer appointed Hugo Rogers to the traffic board. He denied knowing Rogers' assistant, Philip Zichiello, brother-in-law of Willie Moretti, deceased New Jersey racketeer and big time gambler. But it was O'Dwyer who appointed Zichiello deputy commissioner of the Department of Hospitals. O'Dwyer continued to curry favour with Costello by his appointment of Abraham Rosenthal, another Tammany district leader, to the position of Assistant Corporation Counsel. When questioned by the Kefauver Committee, he could only vaguely remember to which job he had appointed Rosenthal. He also had no knowledge of the fact, until he 'read it in the papers', that Lawrence Austin, whom he had appointed city marshal, was a cousin of the notorious fugitive Irving Sherman (already mentioned). Costello's televised hands reached even into the courts of justice. After thanking Costello for having helped him secure the august rôle of Supreme Court Justice, Thomas J. Aurelio said, 'Now we have to take care of Joe (Joseph V. Loscalzo)'.⁶ This appeal did not go unanswered. Resting on bar association approval, O'Dwyer appointed Loscalzo as judge. When Costello was questioned in his turn on what he thought was the basis of his ability to influence these politicians, he said it might be because he had lived all his life in Manhattan. Then in his semi-literate 'Bowery' Manhattan jargon he ventured: 'I know them, know them well, and maybe they got a little confidence in me.' Perhaps we may compare the answer which O'Dwyer gave in response to the same question by Senator Charles W. Tobey: 'It doesn't matter whether it is a banker, a business man, or a gangster, his pocketbook is always attractive'.⁸ And Costello's pocketbook is very full.⁹

³ *Ibid.*

⁴ *Ibid.*

⁵ *Ibid.*

⁶ *Ibid.*

⁷ *Ibid.*

⁸ *Ibid.*

⁹ Already as a young man Costello had launched out on the career of investor, buying up real estate with money he had won in high-stake dice games. Next he moved into the punchboard business through the Horowitz Novelty Company, which first went bankrupt and then was revived as the Dainties Products Company. A confections company, along with slot machine interests, were other Costello acquisitions. Phil Kastel, a henchman since the 1930's, shared with Costello an investment in the Canadian Whitely Distillery, producers of whiskey popular in the U.S. Finally, there was a little matter of oil well interests . . . As N. R.

New York City Politics

Hoboken and West New York, across the Hudson River from the great city itself, and under New Jersey jurisdiction, have served as convenient spots from which to operate without forcing the unwilling hands of any of the New York politicians. When testifying to the committee, O'Dwyer cried that his New York police had exploited all possibilities (viz. — setting up, at a special office, tabulations of phone numbers suspected to be bookie joints), and that any failure to clean up gambling or racketeering elements was due to the inaction of the New Jersey authorities. As evidence of the 'exploitation of all possibilities': in 1946 O'Dwyer put John M. Murtagh, Commissioner of Investigations, in charge of a probe of gambling activities. When O'Dwyer left office to take an ambassadorship in 1950, Murtagh had still not presented him with the results of the investigation — and what is more important, O'Dwyer never pressed him for such a report. Before the committee, O'Dwyer alibied Murtagh by claiming that he had done a fine job in handing over to the New Jersey police, information on such gambling kingpins as Frank Erickson (from whom even Costello borrowed money) and Joe Adonis. But on the basis of Brooklyn D.A. Miles McDonald's investigations and the evidence on the sale of newspapers exclusively devoted to horse-racing reports (scratchesheets), O'Dwyer admitted that bookmaking proceeded on a large scale in N.Y.C., and that this was possible only if the big bookies went untouched. Scratchesheet sales from 1946-49 hit an all-time high, and bookmakers like Harry Gross netted \$20 million annually. Jules Helfand, assistant Brooklyn D.A., placed the total amount bet per year during this period at \$300 million — an extremely moderate figure when we take into consideration the intake of but one, Gross. Yet, the McDonald investigation into police corruption was characterized by O'Dwyer as a 'witch-hunt' because, as he explained, he had great faith in his commissioners, such as Murtagh, and in his 'clean police force'.

Once these general conditions were made public, O'Dwyer's resignation from the office of mayor (August, 1950) became mandatory. Already in disfavour due to its foreign policy (Korea), and its domestic policy (mounting taxes), the party could not afford to allow O'Dwyer further to alienate the politically important New York public. The Party paid him off with an ambassadorship to Mexico and created a situation in which the public could 'express itself' anew — a mayoralty election to be held in November, 1950. The atmosphere surrounding the New York elections was a reflection of the politicians' realization that 'boss rule' and 'machine corruption' had become highly important issues. Accordingly, all the candidates promised that such a situation would be completely changed were they elected. Ferdinand Pecora, Democratic-Liberal candidate,

DeMexico writes, in *Vice Over America**: 'Other ex-mobsters, present racketeers, and slightly illegal businessmen admitted, before the committee, to owning dress-making companies, wholesale distributing businesses, apartment houses and, of all things, brokerage firms. Ordinary stock and bond investments are pretty common. Even more common are investments in vending-machine placement and servicing organizations handling cigarettes, candy, soft-drinks — evidently a natural outgrowth of slot-machine operations.'

* Designs Publishing Co., New York, 1951.

promised that in spite of his direct ties to Tammany Hall, the instrument of the Democratic Party in New York, he would institute a clean-up within his own ranks. Edward Corsi, Republican candidate, was in a more favourable position in this respect, for the name Tammany has become a symbol of corruption. Consequently he could present a relatively clean slate while criticizing the past Democratic — O'Dwyer — administration and the current Democratic aspirant, since none of his Republican colleagues had held the mayoralty for a long time.

It was at this point that the vigilante of good-government, Vincent R. Impellitteri, entered into the reckoning. Where both Pecora and Corsi, as members of established political groupings, could be viewed in the perspective of their party records, this newcomer had very little in the way of a past. Oddly enough, his support came from the 'Experience Party', a group which had never before run a candidate in any election: with, therefore, little experience to speak of. This party and its candidate made the most outspoken protests about 'bossism, corruption, and gangster-controlled politics'; Impellitteri (known to many as 'Impy') represented himself as follows: 'I am the people's candidate and with the people behind me we will pulverize the bosses and the machines and everything they stand for!'¹⁰ Whether or not this pulverization has been effected, there is little doubt that Impellitteri was the 'people's choice', if we base ourselves on the election results. Yet, in spite of the general interpretation of 'Impy's' overwhelming victory as a simultaneous 'defeat of the machines', there was present the sentiment (especially in the ranks of the beaten opposition) of, 'Let's wait and see'. The ever-cautious *New York Times*, in its editorial congratulating the victor, commented that, 'Mr. Impellitteri's views on major issues facing the city are not well known in spite of his five years as President of the City Council, as a member of the Board of Estimate, and his occasional service as Acting Mayor. His campaign offered no great elucidation'. Then, perhaps unwittingly, the editorial went on to say: 'We hope that the emphasis he placed on freedom from the party "bosses" will continue as he takes office, because in such independence alone lies the opportunity to build a city government free of the weaknesses that brought discredit to the administration of which Mr. Impellitteri *was a leading figure*.'¹¹ [Italics mine — T.C.] That the hopes of the *New York Times* were to be disappointed is indicated by the following editorial comment in the *New York Post* just three weeks later: 'The great battle for control of Tammany Hall continues. We suspect that the struggle is viewed with boredom and disgust by most of the populace. . . . The real question is not who shall control Tammany, but how long Tammany will wield enough power at City Hall to make control of Tammany worth fighting about.'¹² That there was more than a little basis for such a remark even before the election was over, is shown by the following: 'I want everyone to know that I am proud to be a member of Tammany Hall, and that everything that I have received in public life I owe to Tammany Hall.' Words spoken by Vincent Impellitteri on 3rd May, 1950, at a testimonial dinner to Carmine G. Desapio.

¹⁰ *New York Times*—23rd October, 1950.

¹¹ *New York Times*—8th November, 1950.

¹² *New York Post*—27th November, 1950.

'Impy'

As Acting Mayor after O'Dwyer's departure to Mexico, Impellitteri's pretensions to power began developing. Gathering around him a powerful group of Tammany rebels, he began his 'anti-bossism' campaign. With Frank Sampson and Robert Blaikie, both old Tammany hands, he prepared for the reorganization of Tammany with his own followers, and the displacement of Carmine DeSapio as its leader. . . . 'Mr. Impellitteri has a choice of picking for the new leader either a member of the Tammany executive committee or a man whose name will give a measure of respectability to the Tammany organization.'¹³ . . . Giving 'a measure of respectability' to Tammany would require the talents of either a magician or a demagogue. The man who had heaped calumny on 'these bosses, these minions of sinister influence'¹⁴ and then would turn around to pick a leader from their ranks, is obviously the latter.

The story behind 'Impy' (who, you may rest assured, is literally a 'nothing' — a quirk of Fate, an historical accident) is far more sinister and intricate than we may realize by merely recognizing him for what he is. The man's pettiness and extremely diminutive stature were most sharply indicated by his willingness to abandon the mayoralty contest if offered a lucrative position — a long term judgeship. But he was held in such small regard by the important members of the Tammany leadership that his offer was rejected, adding this insult to the injury of not having received Democratic Party support for his election from Acting Mayor to Mayor. Carmine DeSapio, Tammany head, giving his version of the meetings which he had with Impellitteri (DeSapio claims they were at 'Impy's' request), said: 'At one of these meetings, Impellitteri made several demands of me . . . that his name be submitted to the party leaders for consideration as a mayoralty candidate. I told Impellitteri that I had presented his name as requested. . . . But, I added, not one prominent Democrat favoured his nomination. . . . At a later meeting, Impellitteri told me . . . he knew he had great nuisance value and could embarrass the party in the coming election. He threatened that he would do so unless I would guarantee him first a nomination for himself for a high judicial office (which everyone in political circles knew was his lifetime ambition, as was evidenced by his desperate attempt to get himself a judgeship nomination for Surrogate in 1948). But Impellitteri demanded even more. He further insisted upon my promise of support with the county executive committee to get him two city court judgeships and a magistracy, in order to discharge some of his political obligations.'¹⁵ Impellitteri promptly denied every word of DeSapio's statement, characterizing it as 'an unmitigated, unabashed, contemptible lie!' but giving little or no evidence in refutation.

A week later, Edward Corsi, Republican candidate for Mayor, conceded the possibility that the charge against Impellitteri might be false. But where DeSapio had left off (for reasons of self-protection) Corsi began tying together political and underworld interests in a logical and convincing fashion. In a radio and television appearance, Corsi described the underworld framework within which political futures are decided. In 1948, he

¹³ *New York Times*—9th November, 1950.

¹⁴ *New York Times*—23rd October, 1950.

¹⁵ *New York Times*—24th October, 1950.

claimed, four gangland leaders (Joe Adonis, Frank Costello, Veto Genovese, and Tommy Luchese) had met to discuss the mayoralty campaign of November, 1949. The records of two of these men are familiar to us. Costello, the slot-machine, bootlegging, and gambling king, and Adonis, closely related as to profession, have been discussed previously. Genovese was described by Corsi as 'a man with a police record to chill the blood' — arrested four times for murder and homicide, once for felonious assault, once for burglary, etc. Tommy Luchese, alias Tommy (three-finger) Brown, was the fourth man present. Operator of a legitimate cloak and suit business in Manhattan, he once served two years in Sing-Sing for grand larceny — then he was paroled; he was arrested twice for homicide and once for receiving stolen goods — and the charges were dismissed each time. In view of the inaction of the New York police regarding the records of these men, it does not require too great a stretch of the imagination to fathom their influence in New York politics. It was as great at the time of the 1949 elections as the Kefauver Committee has shown in its hearings.

Corruption and Connivance

The political situation just before November, 1949, was as follows: O'Dwyer, ending his first term at City Hall, had indicated that he would not run for re-election. As a result, these 'Big Four' (in Corsi's estimation) of the crime world decided to switch their support to New York Supreme Court Judge Ferdinand Pecora for Democratic mayoralty candidate. However, O'Dwyer reversed himself shortly after turning down the movement to draft him as the Democratic candidate, and decided to run again. (It would be no surprise if O'Dwyer had declined the mayoral candidacy and then used the draft movement to test out his political strength, simultaneously creating the impression that 'the people' could not go on without him, the 'indispensable bureaucrat'). So Pecora was dropped and O'Dwyer once more had the backing of these mobsters. With their political support, he was re-nominated; with their financial support, he ran his campaign and was re-elected. A year of inefficient government in an atmosphere of graft, police-protected-gambling, and criminal influence, went by with O'Dwyer as mayor.

Meanwhile, Brooklyn D.A. McDonald began uncovering the fact that the Police Department was moving directly into the gambling racket (controlled to a large extent by Costello, Adonis, *et al*). Where the gamblers had formerly depended on protection from the politicians, they now sought it from the police themselves (and at increased rates). The situation was too sensational to keep secret for long, and the *Brooklyn Eagle* began an exposure of police corruption. D.A. McDonald was about to move, and O'Dwyer's position was fast becoming untenable. What was more important, the Tammany campaign in the November, 1950, state election would be hurt. Political expediency called for quick action by the Tammany-Democratic leadership. Boss Ed Flynn, at the time Democratic national chairman, pulled O'Dwyer out with the Mexican ambassadorship to avoid the latter's political embarrassment, and injected a completely unexpected electoral race into the November, 1950, campaign, in the hope that this

would bring a heavy New York City Tammany vote for the benefit of the state ticket.¹⁶

With O'Dwyer out of the mayoralty running for good, the support of the 'Big Four' turned back to the man they had agreed upon in 1948 and then dropped in November, 1949, Judge Pecora. This time the Liberal Party jumped on the bandwagon, and Pecora was nominated by both the Democrats and the Liberals as mayoralty candidate. Everything was set — or so it seemed — when Impellitteri (the fellow with 'nuisance value') mounted his steed to sally forth in holy war against corruption. Silent for the four years he served as President of the City Council; prior to this a well-disciplined member of the Tammany machine, serving as deputy assistant D.A. and then as a secretary to two judges, 'Impy' suddenly sounded the challenger's blast, biting the hand which had always fed him. People still blink surprisedly at the abrupt emergence of this crusader from his cocoon of silence — or should it be believed that still waters run deep?

Perhaps the answer can be found in the changes which took place in the underworld shortly before the 1950 elections. Tommy Brown (one of the 'Big Four', who had sponsored Impellitteri for City Council President in 1945) had become ambitious enough to split from the rest of the clique in an effort to dominate New York politics (and consequently the New York underworld).¹⁷ Impellitteri, Brown's man, was eager to revenge himself upon the official Tammany leadership for the manner in which they had snubbed him. The stage was set for the farcical struggle of 'Impy' against the 'bosses' — at least, those Tammany leaders who had refused him their support. Impellitteri was the victor — he and *his* bosses (Robert Blaikie and Frank Sampson) entered City Hall. In terms of patronage and influence the combined force of Costello, Adonis, and Genovese was stronger than Brown-Impellitteri; but this is just what illustrates the extraordinary circumstances surrounding the elections. The social need for reform had reached the point of desperation — *any* protest against the established political parties would have been most welcome. The 'next-step' character of mass political action was illustrated by Impellitteri's overwhelming victory — and the inability of the public to proceed beyond this false step in a really decisive manner has allowed the perpetuation of machine government and its concomitant evils.

Major municipal issues, such as: improvements in transit facilities without raising fares or taxes (a project well within the realm of possibility if the budget were 'unpadded'); expansion of school facilities — more

¹⁶ Incidentally, Flynn is no angel himself. While Sheriff of Bronx County, he appointed one of America's biggest gangsters, Dutch Schultz, as one of his deputies. Flynn was rejected by the U.S. Senate (a Democratic Senate at that!) for an ambassadorship, because it was found that his estate had been paved with blocks stolen from the City of New York. Thus his nickname—'Paving-block' Flynn.

¹⁷ Tommy Brown soon found himself in difficulty with narcotics agents for his involvement in the drug racket. It seems this was actually a move by the national Democratic Party to crush Brown's grab for power in New York City-Tammany politics, and simultaneously to remove the props from Impellitteri. Nonetheless, Brown has managed to climb into the driver's seat since vacated by Costello, who has had to suffer, of all things, the inconvenience of a trial for his misdeeds.

teachers and more buildings; improvement of the services of the Welfare Department (the only place in the budget where economy has been practised — at the expense of thousands of unfortunate people), have been answered by suggestions from 'Impy' for: *Cutting* (!) subway and bus service and firing hundreds of transit employees (to cut wage-costs); raising the sales tax; giving the teachers a 'peanuts' raise merely to mollify public opinion (these last two suggestions are now law); and further 'padding' the city's payroll with scores of sinecures, administrative appointments, and other time-money wasters. In March, 1951, when the Kefauver Committee visited New York, Impellitteri had been mayor for three months, and acting mayor for about the same length of time, previous to his election. Yet in this time he had made no concrete move against gambling interests in New York — a move which would not have been overly difficult, with the information as to the 'bookies' locations on hand in Murtagh's card-files. The police-gambling corruption was hardly sniffed at — the only action 'Impy' took was the appointment of a new police commissioner (who stayed just long enough to find himself a more secure job as a Federal Judge).

Despite criticism from quarters which had supported his election, such as the *New York Times*, Impellitteri placed Frank Sampson, a Tammany-tarred hack, in charge of his patronage affairs and through him attempted to heal the breach with the main Tammany machine. Subsequently Impellitteri supported Tammany candidate Sharkey as against Liberal-Fusion candidate Rudolph Halley, in the campaign for City Council presidency. This strategy was an attempt to move back into the Hall at the expense of Tammany chief DeSapio. The failure must be attributed to the dominating influence of the Democratic national organization for which crony government has become a principle (to deal with crony Truman, is a story in itself). To complete the tale of 'Impy's' turncoatism: candidate Halley challenged Impellitteri to drop Blaikie and Harry Brickman from his list of top political advisers. Impellitteri refused to do this, even though Halley, while chief counsel to the Kefauver committee, had linked these old DeSapio hands to Costello. But Halley was not the one to make challenges, having been helped from post to post by Judge Pecora, himself closely tied to Costello. The rest of the story about Halley proceeds from his rôle as chief counsel of the Kefauver committee, the rôle from which he catapulted into New York politics.

More 'Independents'

During the course of the crime committee hearings, Halley held the public's attention more consistently than any other single person, and ultimately made the most of this attraction by capitalizing on it politically. Perhaps the secret behind this lay not in the supposed 'brilliance' with which he conducts himself, but more in the fact that if there is anything in which New Yorkers delight, it is in an oddity — especially a strange, different personality. Perhaps it was the citizens' boredom with the uniformity and sameness of themselves and their surroundings, or it may have been an identification with a now prominent person once as unknown to the rest of their society as they are; whatever the psychology involved, Halley's defects became his assets, and all his accomplishments were 'in

spite of' his looks and his speech. The fascination was so complete that Halley was almost able to insult the public intelligence and get away with it, being elected to the important presidency of the City Council. However, the deception was incomplete, as evidenced by the extremely light registration for the election. After the election Halley demonstrated his 'democratic' attitude by the order that none of his administrative staff give any information to the press unless okayed by his office. But this is only part of the insult. During and after the investigations he had repeatedly tossed the whole mess of corruption at the populace with phrases like 'only the public can reform its government', inferring that the rotten situation was the fault not of crooks and crooked politicians, but of public disinterest. Cynicism would be a better word, but Halley couldn't admit this, since the cynicism is directed not only toward major parties but to 'reform' groups as well, viewing the latter as the least of several evils. Yet many of those who concede that the Liberal Party's independent rôle is confined to being a camp-follower, nevertheless will protest that Halley is truly an independent pledged to fighting crime.

Here a look at the record is instructive. A political nobody until the day fortune (in the form of the Kefauver Committee) smiled upon him, Halley served as one of several assistant counsels to the wartime Truman committee, and became its chief counsel when Truman became president. Soon after Truman's election, the firm of Fulton, Walter and Halley were designated as his chief legal advisers. Why this particular firm was chosen for this function may be explained by the lenient treatment Hugh Fulton, its senior member, had given to Truman's cronies whilst assisting Attorney General Frank Murphy in probing wartime contracts. In order to keep the Securities Exchange Commission from the door, many businesses were willing to pay healthy fees to the firm, and Halley found himself making over \$50,000 annually. Notable clients included: Howard Hughes, aeroplane manufacturer caught by the Republicans with his finger in the contract pie; the Hudson and Manhattan R.R., at the time controlled by a banking group under the sway of New Jersey mobsters; and George Richards, owner of three radio stations accused by the Federal Communications Commission of anti-Semitic policies. Later, while counsel for the committee, Halley continued to handle such cases (a special Congressional act enabled him to continue private practice). Contrary to popular belief, he made no financial sacrifices in order to carry on as chief counsel, for in addition to retaining his private practice, he had his salary raised from six to seventeen and a half thousand dollars per annum, with a relative on the payroll at ten thousand a year. Lee Mortimer, author of an enlightening series of articles on the investigations,¹⁸ tells of Halley's denying any connection with a representative of the movie industry who was reported to be seeking to prevent any probe of gangster influence in Hollywood. Soon afterward, Halley was seen entertaining this representative, and Chairman Kefauver later made a well-paid appearance in a movie.

Such circumstances intimate that Kefauver is also no angel. Though he has been lauded for defeating the Memphis boss, Crump, there was more of

¹⁸ Mr. Mortimer's series on crime appeared throughout 1951 in the *American Mercury* magazine. He is also the co-author of a book on the Washington situation, *Washington Confidential*.

shrewd political conniving than forthright honesty in the campaign. Kefauver's patron saint in this and other matters, was Silliman Evans, publisher of the *Nashville Tennessean*. Similar to the New York elections of 1950, the 1948 Tennessee senatorial campaign resulted from a split among the bosses, Crump v. Evans. The latter, after varied success as a private citizen, had risen from fourth assistant postmaster general, to presidency of the Maryland Casualty Company, to publisher of the *Nashville Tennessean*, which under his influence changed from anti-F.D.R. to pro-New Deal sentiments. (Evans had received a bit of political aid from Jesse Jones, head of the F.D.R. controlled Reconstruction Finance Corporation.) Lawyer Kefauver of Chatanooga, a Yale graduate and a bright lad by comparison with the local talent, got his chance as state Commissioner of Finance and Taxation in 1939, and then as a Congressional Representative. Contrary to Kefauver's press agents, the Senatorial campaign of 1948 was no great struggle. Kefauver had the *Tennessean* backing him with propaganda, Washington support for a perfect pro-New Deal record, and votes from Tennessee Valley Authority employees. The lesson which the Senator learned from the election was what publicity could do for a political career, for he had campaigned in a coonskin cap and had gotten his profile into any paper that would carry it. As a congressman he had jumped on every bandwagon and committee, and as Senator he continued in this tradition, until he hit the jackpot with a resolution for what was to be an 'historic' investigation. But the publicity angle didn't end there — indeed it hit its peak. Figures like Costello, Virginia Hill, philosopher-gambler Louis Weber (who feels that gambling is biologically intrinsic to human character), fallen politico O'Dwyer, and others, provided fine material for the menagerie at which Kefauver would crack his whip.

Television Saints and Sinners

Not that those under interrogation didn't get a chance to bathe in the TV limelight. Virginia Hill, the fresh 'gun-moll' from Alabama, rose to almost Shakespearean heights convincing the public that she was nothing more than a cheap call girl for her mobster friends. That her beginnings were lowly, there is no doubt; but her rise to fame and success was certainly not from the bed of one mobster to another. Virginia Hill Hauser was one of the rarer variety of gangsters' girls — in addition to looks, she had brains. Her fickle relations with a number of top mob leaders enabled her to further the interchange of information and money between their respective mobs. The famous triangle composed of Bugsy Siegel, Joe Adonis, and Virginia revolved not around affairs of the heart but around circumventing the interception of letters containing information about shipments of dope and gambling equipment across the country. Virginia's repeated attempts at suicide were not prompted by despair over her unstable emotional and social life; every one of these was actually her warning to gang leaders in New York and California not to attempt reneging on promised payments for her services. According to Mortimer she had left orders for the opening of a box containing papers describing the nature of these services — a sure way of automatically convicting any who might try to doublecross. But Kefauver, Halley, Tobey, *et al*, more alert to the kleig lights than to the evidence, allowed Virginia to read her lines to the last

exclamation point and are in this respect accomplices in public deception.

Tobey, for example, in spite of his frequent moralizing, could have well afforded looking into two cardinal ethical rules: practice goodness, then preach it; charity, honesty, morality, cleanliness, godliness, all begin at home. Tobey, a minister and stock salesman before his election to the New Hampshire Legislature in 1915, continued selling stock all the way till the depression — while speaker and president of the state Senate. Unhampered by Federal stock legislation, and in the respected capacity of a representative of the people, he must have done a very fine job supplementing his paltry salary. There was also quite a bit of loose cash floating around the state, due to the expanding bootlegging business via Canada and Portsmouth. Not only were there the customary rewards to local police, but Tobey's Republican group in New Hampshire got a rake-off, too. Tobey, in these circumstances, was elected governor, in which post he did all within his capacity to harry the rum-runners — he sermonized. Near the end of Tobey's term as governor, the Rockingham Park race track was opened by Bill Dwyer, an important bootlegger in the state. Men like Bill Phinney and Kenneth Graf, who held positions with the Rockingham track, later became Tobey backers in his Senatorial campaigns. With such connections, Tobey's rise was inevitable. From the Governor's mansion he went to Congress as a Representative in 1932 and then in 1939 to the Senate. Originally posing as an isolationist, he soon dropped 'America First' for Tobey First when the tide turned after Pearl Harbour. After his conversion he became a member of the International Monetary Conference, and managed to have the conference held at Bretton Woods, New Hampshire. What is more, he arranged to have the hotel recently acquired by a friend of his, designated as the lodging place for the conference's delegates. It was completely refurnished at government expense. Here Tobey was merely making use of the adage, 'Do unto others . . .' — a policy which paid off when one of his friends — State's Attorney General Tiffany — simply overlooked Tobey's neglect in reporting all the sources of his campaign contributions. As we mentioned, Tobey is a god-fearing man — though whether or not the god is Mammon is open to question.

In Private Bootleg Wine

Senator O'Connor of Maryland, another member of the Kefauver Committee, is reportedly backed by a mob closely tied to Mafia interests, and hails from Baltimore, a city renowned for vice and viciousness. And O'Connor is in no small way responsible for these conditions for he has many times been in a position to correct them. During his term as State District Attorney in Baltimore in 1923, Attorney General in 1934, Governor from 1938-46, and Senator from 1946 to the present, the mobsters now important in the rest of Maryland as well as Baltimore, built their organizations. When hoodlums were arrested and vice and gambling joints broken up, it was only because they interfered with bigger, more efficient, gangster groups. O'Connor's election to the Senate in 1946 was by 2,000 contested votes, and no official denial of vote-buying and financial assistance from mobsters, has ever been made.

Thousands of Maryland operators have bought tax-stamps for gambling machines, thus revealing their names and addresses to Maryland officials.

The legality of operating slot-machines in many of the state's county units is supposedly supported by 'local options', but such options have been ruled illegal by the state laws. In such circumstances it would not have been illogical for the committee first to set up shop in Maryland, which borders the nation's capital, in spite of the better TV hook-ups in New York. Many Maryland citizens clamouring for such a probe were reassured by Kefauver (O'Connor's Tennessee neighbour) that no flagrant illegal or immoral conditions existed in their state, and to prove it, O'Connor himself took over when Kefauver left the committee (after the TV cameras had stopped grinding).

So let there be no illusions about the Kefauver committee. Its 'revelations' have been of the most general and innocuous nature. So far as prosecuting its real function — that of uncovering connections between underworld and political groups, it has done more to publicize already known facts than to investigate recent clues to such connections. Consequently its greatest accomplishment has been to destroy many carefully prepared cases involving figures like Costello by prematurely divulging testimony against them. Its other most important result has been to bring into the public eye a number of highly ambitious figures like Kefauver and Halley, not so dumb nor so honest, respectively, as might be thought. No efforts were made to bridge the crippling gap between investigative and prosecutive powers.

Certainly the Democratic party could never be expected to make a serious attempt to reveal the corruption and criminal influence within their own ranks. The party decided on using a series of investigations of criminal activity throughout the nation as a means of distracting the public's attention from the more pressing political problems of the day. The helplessness over the catastrophic course of events which had been following each other so closely, would be alleviated by allowing the public temporarily to 'get on the inside' of municipal politics. The Republicans, eager to pounce on local Democratic corruption, were quite willing to carry out such investigations — on the other hand, the Democrats could make it appear that a clean-up in the ranks was taking place. With control of the staffing of the investigation committees, the possibilities for a whitewash of local administrations were quite high.

The Kefauver Committee was never intended to be anything more than a three-ring TV circus. The character of its leading members could not have been better fitted for this: ventriloquist — Chief Counsel Halley with high pitched nasalized lisping voice, relentlessly supplying his dummies with the right answers to his own questions; court jester — Senator Tobey, ready at the drop of a Bible to deliver an impassioned patriotic-religious speech; and finally strong man — Senator Kefauver, politely grunting words of sublimest wisdom such as, 'Puh-leez an-suh thuh kwes-shun', in a soothing Tennessee drawl.

As the brilliant and sarcastic Henrich Heine once put it—

'I know the authors, I know the tune,
I know it line for line —
In public, water is all they preach:
While in secret they guzzle wine.'

MATERIAL AND DOCUMENTS

TWO LEAFLETS FROM BRITAIN

1. FOR ELECTION BOYCOTT — AGAINST REARMAMENT

In last year's General Election the friends of *Contemporary Issues* in Britain were among the very few voices to be heard in opposition to the two-party conspiracy to smother public anxiety by removing the overriding question of rearmament from the election platform. In their leaflet, 'For Election Boycott — Against Rearmament', they exposed the attempt of the official parties to stampede the public into the blind alley of 'choice' between their tenuous 'rivalries' and frivolous promises. The correctness of this analysis was promptly and contemptuously demonstrated immediately after the election. The die-hard Tories are now the carriers of the 'socialism' of controls, nationalization, etc. On this firm basis the real choice for the electorate was presented as one between *the official unanimity for ruin and the radical need to reverse the present insensate arms programme*. In the circumstances boycott of the election was recommended in the following manner:

'Since we do not as yet possess the resources for contesting the election, we recommend to the public the one possibility left for giving its verdict. Since the parties offer no choice, since Mr. Bevan refuses to offer the choice, let us reject them all by refusing to enter into this election farce. A boycott will provide a test of the feeling of the people on the rearmament issue and a survey of the forces in opposition. Dissociation from official policy is the first step for the creation of a resolute independent democratic movement and meaningful public intervention. If we are to save ourselves, such a movement must break through, sooner or later, to achieve useful instead of destructive production.'

What the leaflet did in fact was to summarize and re-affirm the limited immediate programme drawn up by the Bevanites only to be jettisoned by them. This abandonment of a perfectly good programme had the effect of depriving the restive sections of the community of a means of protest and of leading them back into the official framework. The main points of the programme nevertheless remain correct, especially the demand for a reduction of arms expenditure, and all means must be sought to implement them in future.

Limited resources only made possible a distribution of 40,000 leaflets, almost entirely in the London area, and of these 20,000 were concentrated in the constituency of South Paddington (followed by a well-attended public meeting where there was lively discussion) as a test of public feeling on the rearmament issue. Of course, the result in South Paddington was on the nation-wide pattern and was almost identical with the alignment at the previous election. But the proper perspective in which to regard the leaflet is summed up by one correspondent (of whom there were many), 'I don't think they had much influence on the voting in

the General Election but they may have set some people thinking', a supposition confirmed by the responses from many people.

It was not to be expected that a pioneering effort of this nature would at one blow reverse the officially-sponsored trend. To clarify and explain the immediate issue was simply the beginning of a task the dimensions of which were never under-estimated. One correspondent denigrated the attempt by objecting that even if a million or two million abstained from voting 'neither the result nor the system would be affected'. He has obviously missed the dynamics involved. When a million or so people express opposition to the rearmament policy it will not merely be a matter of so many less votes but will indicate a huge shift in public consciousness towards a rational solution and official policy will be well on the way out. Equally its effects on the 'system' will be profound. The call for the reduction in arms expenditure and the production of useful goods revolves around an indispensable, *initial* step to which 'all sections of the public can rally', but the implementation of such a step will have the most far-reaching results, as indicated in the leaflet.

This short notice will have to serve in lieu of a reprint of this excellent leaflet but copies are still available and will be sent free of charge to readers on request.

2. WHO WILL GAIN IN SUEZ — BRITAIN OR AMERICA?

The Tory Government, like the Labour Government before it, continues to answer the Egyptian claims to Suez by shipping more troops to the Near East, with ever-increasing peril to both British and Egyptian lives. And we are again witnessing British troops playing the rôle of policemen against the majority national sentiments of a people in Africa. Yet let us ask a very practical question: *who gains by this policy? Who will acquire the 'rewards' of coercion?*

Certainly it will not prove to be the British people: It is assured that as the Government proceeds in this 'enterprise', Anglo-Egyptian economic relations will deteriorate. All that Britain has to gain by trade with Egypt, indeed with the entire colonial world, will be dissolved in a hatred of everything British — embracing British wares as well as British troops. Millions of pounds, which could be fruitfully employed to improve our economy and living standards, will be wasted in armaments on this 'enterprise'. In fact, it is not to be excluded that the present Egyptian 'episode' — for which no doubt Mr. Churchill is accumulating notes for his later 'memoirs' — will be used by both Tory and Labour leaders as an excuse for the present detestable efforts at rearmament.

In short, Britain will in no way gain from the current Egyptian adventure. Only the United States and Russia, both intent on exploiting the increasingly meaningless animosities between Western Europe and the colonies, will promote their economic and political interests. In other words, the present Anglo-Egyptian fiasco will serve to increase American influence in Europe; first, by undermining the possibility of an economic alliance between Britain and the colonial world (an alliance that would prove to be the greatest single obstacle to American or Russian domination over Europe)

and, second, by further weakening Britain through a useless expenditure of men and materials.

Let us suppose, as realistic alternative, that instead of wasting our resources for coercive purposes we propose to the colonies and to the countries of Western Europe a policy of economic co-operation — independent of the Kremlin and Washington! Let us suppose that we approached France, Germany, Italy, the Benelux and Scandinavian countries, etc., and especially Egypt, India and the Asiatic, African and South American countries, and suggested a programme of common trade for our mutual welfare — free of Russian and particularly American 'influence'; let us suppose that instead of acceding to America's outrageous pressure toward rearmament we employed these valuable resources for useful production to improve our industry and living standards — who, then, can doubt the great strides that could be made! It is a certainty that such a free and independent combination, encompassing the most strategic industrial and raw material areas, could quickly outstrip American industry and historically realign the forces in the world to-day toward a new hope for peace and social improvement! Surely, even the American people, who bitterly resent the current impasse into which Washington has brought the world, would be aroused to new hope!

Let us face reality! Either the British Government continues the present disastrous policy of using troops to suppress the Egyptian people — who essentially are in the same boat as we — and yields step by step to American pressure for a rearmament programme that will undermine our entire economy, or we — and that means the British people, not Messrs. Churchill, Attlee, etc. — will at once take the leadership in uniting Europe, Asia, Africa and South America toward an independent economic road. Either troops shall go on being sent to Suez, or we shall initiate a new course for the world by first replacing troops in Egypt by an economic programme of mutual trade and social welfare.

THE POSSIBILITY FOR SUCH A PROGRAMME WILL BE DISCUSSED AT A PUBLIC MEETING TO BE HELD AT THE HOLBORN HALL (SMALL HALL), GRAY'S INN ROAD, W.C.1, ON FRIDAY, 11TH JANUARY, 1952, AT 8 P.M.

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No. 11 to appear shortly

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Sworn to and subscribed before me this 29th day of October, 1951.

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